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of the

NATIONAL RETAIL CREDIT ASSOCIATION

. . . June 1956

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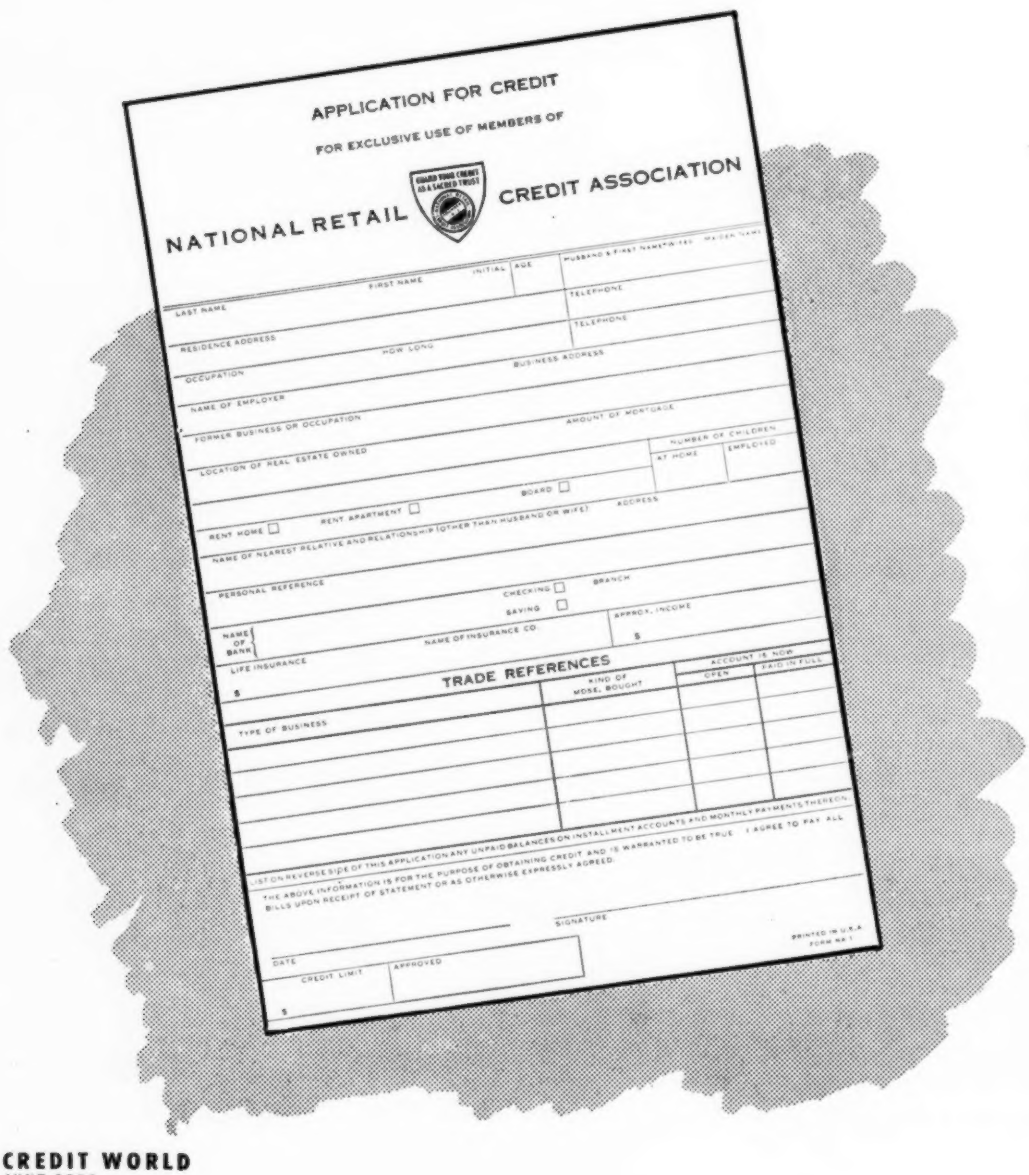

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RESIDENCE ADDRESS / TELEPHONE

HOW LONG / TELEPHONE

OCCUPATION / BUSINESS ADDRESS

NAME OF EMPLOYER

FORMER BUSINESS OR OCCUPATION

LOCATION OF REAL ESTATE OWNED / AMOUNT OF MORTGAGE / NUMBER OF CHILDREN: AT HOME / EMPLOYED

RENT HOME ☐ RENT APARTMENT ☐ BOARD ☐

NAME OF NEAREST RELATIVE AND RELATIONSHIP (OTHER THAN HUSBAND OR WIFE) / ADDRESS

PERSONAL REFERENCE

NAME OF BANK / CHECKING ☐ SAVING ☐ / BRANCH / APPROX. INCOME $

LIFE INSURANCE $ / NAME OF INSURANCE CO.

TRADE REFERENCES

TYPE OF BUSINESS	KIND OF MDSE. BOUGHT	ACCOUNT IS NOW: OPEN	PAID IN FULL

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DATE

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The CREDIT WORLD

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In This Issue

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25 YEARS AGO *in the* CREDIT WORLD

The CREDIT WORLD for June, 1931, was dedicated to the 19th Annual Convention of the Association held in St. Louis, June 16-19. Recognition of the vital importance of credit during a depression year brought a record attendance to this convention. Frank Batty was elected President, A. P. Lovett, First Vice President, and Charles M. Reed, Second Vice President.

* * *

"We Can End the Slump" was the title of an address by Frank M. Mayfield, President, Scruggs-Vandervoort-Barney, St. Louis, reprinted in the issue. He said that reasonable accommodation on sound risks was needed to stimulate business. He also urged better methods of internal operation and that control of expenses must be improved.

* * *

"Recovery from the depression should be getting fairly under way by Fall," said Dr. Clyde W. Phelps, then Professor of Economics at the University of Chattanooga. He added, "What is needed is a revival of a spirit of confidence upon the part of business leaders."

* * *

Theodore S. Owen was the author of an article entitled "Credit Is Like a Drug." He said that in the hands of those who understand it, credit can be of great benefit; but in the hands of those who do not understand it, credit can work havoc.

* * *

In his article, "There Is a Psychology of Collection," by Clyde R. Davis, he lists 20 don'ts for the collection department. He maintained that there is a psychology of collection as there is a psychology of salesmanship.

* * *

The fifth article in the issue dealt with "A Follow-up System for Collecting Accounts," by Charles L. Tumasel. It illustrated each step in the collection of charge accounts.

* * *

Robert R. Sesline was the author of the next article, "Millions Saved in Large Department Stores Through Unified Collection Plan." In addition, Ordway Tead was the author of "Business Reading for Profit," in which he reviewed six new books.

* * *

"What Functions Shall Terms Perform?" was an interesting article by R. Earle Klotten. He said that terms understood and insisted upon perform the function of taking the "red" out of credit.

* * *

The "Washington Bulletin," by R. Preston Shealey, completed the June, 1931, issue of 25 years ago.—A. H. H.

Consumer Credit, Saving and Economic Stability

Thomas Gies
***Financial Economist,* Federal Reserve Bank of Kansas City**
Kansas City, Missouri

THE SPECTACULAR growth of consumer credit in the past ten years has generated an equally remarkable increase in the attention devoted to appraisal of the consequences flowing from this expansion. While a variety of aspects of the entire problem have been explored in these discussions, the central focus seems to have been on the static properties of the development; that is, on the quantity and quality of this type of credit outstanding at a given time. On the one hand, concern is expressed over the possibility that the large volume of consumer credit outstanding necessarily increases the hazard of glutted markets for durables, or, alternatively, that such a large proportion of consumer income is committed to repayments that a consequent shrinkage of markets is unavoidable. On the other hand, concern over the quality of credit is expressed in the opposite possibility that consumers will be unwilling or unable to liquidate their debts, and, therefore, that consumer credit outstanding constitutes a hazard to the soundness of lending institutions, and perhaps to the financial structure of the entire economy.

Emphasis upon these two lines of thought, worthy though they may be, omits a third line of inquiry, which seeks to appraise the function of consumer credit and the reason for its growth, and to evaluate the significance of this growth for economic stability. Rather than considering whether the present volume of consumer credit is or is not the right amount—a question which we do not seem to have adequate criteria for deciding—and whether it is "good" or "poor" credit, it may be fruitful to examine in a broader way the reason for having consumer credit at all; the changes in financial status of households which are consequent upon the development of consumer credit; and the implications contained for the general level of employment, production, and income.

The basic task of capital financing of any sort is to carry the burden imposed by lags between the time when costs are necessarily incurred and the time when the benefits of productive activity accrue. In the case of the financing of durable producers' goods, for example, borrowing enables the firm to minimize its own investment in deferred production. In the case of consumer durables, borrowing performs a parallel function. It enables the consumer to reduce his investment in deferred utility or satisfaction. Durable goods, both producers' and consumers', are characterized by the release of their services over a relatively long period of time, and thereby require that a waiting period be endured between the purchase date and the time when the unit has exhausted its capacity to render services. Financing, in essence, is the process of performing this waiting or "carrying" function. Such a function is a necessary concomitant of the use of durable goods.

From the foregoing proposition, it follows that instalment credit has arisen as an integral part of the mechanization of consumption which has proceeded throughout the present century and seems to have accelerated in the past decade. The average household now employs an impressive variety of devices which render services all the way from the radio which awakens one to the strains of the latest hit tune, at the same time preparing a pot of coffee, to the vacuum cleaner which can be used to spray the fruit trees and wax the floors.

To a significant degree, these new consumer durables have introduced changes in some services or processes so great as to constitute a new service, rather than an extension of an old one. Thus an automobile is not merely a store of transportation similar in character to that furnished by its predecessor vehicle. Compared with the horse and carriage, it performs quite distinctly different functions and satisfies additional needs. Similarly, air conditioners, deep freezers, and the host of other appliances which now constitute standard equipment in our households have fundamentally changed the nature of services and satisfactions available to consumers.

The Mechanization Process

The mechanization process, however, has not been entirely a matter of adding new services. Many consumer durables provide services which are close substitutes for services rendered by producers' durables, and expenditures on those durables take the place of purchases of similar services from business firms. For example, the investment which has gone into home television receivers in the past ten years is directly substitutable for expenditures on moving picture theaters. Similarly, and on even larger scale, the accumulation of our present stock of passenger automobiles is at least in part an alternative to expanded outlays for busses, streetcars, railroads, and commercial aircraft. The list of substitute services rendered by consumer durables could be extended, but it is clear that our accumulation of such household capital is properly regarded from the social viewpoint as an alternative to investment by business in capital goods rendering competing services.

The degree to which credit is capable of reducing the consumers' investment in deferred satisfactions obviously rests upon the relationship between the period of payment and the life of the unit being financed. Each payment under the instalment contract is in a sense divided between currently received service and deferred or "stored-up" services. The shorter the period of payment relative to the life of the durable, the larger the proportion of stored-up services acquired. The longer the maturity of the loan, the nearer the consumer-borrower approaches payment for services already or currently received. It is easy to conceive of the situation—and

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This is an address before the National Instalment Credit Conference sponsored by the Instalment Credit Commission of the American Bankers Association, Sheraton-Jefferson Hotel, St. Louis, Missouri, March 20, 1956.

in fact, the condition is recognized to exist in the case of our low down-payment, long-maturity auto loans—in which consumption of the service of the durable item exceeds the rate at which payment is made. This latter situation is, of course, atypical rather than typical. The normal relationship between instalment credit and durable goods is one in which the consumer holds a substantial equity in the unit. That such a relation is in fact characteristic can be verified through a brief review of the increase over the past 60 years in the value of stocks of durables held by consumers.

One of the insufficiently appreciated developments of recent decades is the truly enormous amount of wealth accumulated by households in the form of durable consumer goods. In fact, Raymond Goldsmith in his comprehensive study of saving in the United States states that the most pronounced trend of personal saving, in normal periods, from 1897 on is the increased share of saving in the form of consumer durables. After allowance for consumer debt, Goldsmith's data reveal that the share of consumer durables rises from nine per cent of personal saving in the period 1897-1908 to 16 per cent in the 1920's, and to 22 per cent in the early postwar years. Estimates for the period 1950-55 strongly suggest that saving in the form of durables probably increased further as a proportion of total saving.

At the present time, consumers hold durables (excluding homes) representing an investment at current prices of very roughly $140 billion, after allowance for depreciation. This is 40 per cent above the estimated value of holdings at the beginning of 1950 and nearly three times the value of consumer durables at the beginning of the postwar period. Since 1900, the increase has been more than twenty fold.

The significance of these figures can perhaps be appreciated best by comparing them with other pools of wealth. Basing our estimates upon Goldsmith's calculations, it appears that accumulation of consumer durables at the close of 1955 represented about one-seventh of reproducible national wealth. In value, the aggregate stock of consumers' durables exceeded the value of the stock of producers' durables.

Function of Consumer Credit

To reiterate the point made earlier regarding the function of consumer credit in financing accumulations of durable goods it is interesting to note that despite the growth of consumer loans from about $4 billion in the mid-1920's to the present $36 billion, there is no clear secular movement in the ratio of consumer credit to the value of stocks of durables. It is thus clear that repayment schedules have continued far ahead of the using-up or actual consumption of durables; and the proportion of the stock financed on credit, though fluctuating over the business cycle, has remained within a range of 15 to 25 per cent. While instalment credit has aided in financing the increased volume of consumer durables, it does not show signs of eliminating the consumer's stake in this type of asset.

Although there are a number of alternative methods for financing durable consumer goods, only two possibilities will be mentioned here. These two are essentially the extremes among alternatives—the one, renting, representing a situation in which the user has no equity and never acquires an equity in the durable; and the other, cash purchase, representing complete ownership by the user from the outset.

Renting represents a situation in which the investment in durables is not shared between the user and a lender, but is financed exclusively by the supplier of the durable item. This would not, of course, eliminate either the necessity of financing nor the distinct possibility that such financing would depend extensively upon use of credit—business credit in this case rather than consumer credit. The other alternative which will be mentioned is accumulation of saving by the consumer before purchasing, rather than accumulating the saving after the date of purchase. This method would, of course, eliminate recourse to borrowed funds. But, as a general prescription, it raises the question as to whether consumers would, in fact, accumulate sufficient funds to make lump sum payments. Many consumers, it may be suspected, would not accumulate the necessary amount without the discipline provided by the lender's collection system. While clearly in the realm of conjecture, the pursuit of this thought to its conclusion would mean that consumers, without the aid of credit, might alter the composition of their expenditures toward more nondurables and services, thereby raising the level of real consumption out of current income. Thus, the apparently anomalous conclusion may be reached that the use of consumer credit conceivably promotes thrift and accumulation of wealth rather than encouraging improvidence and increased consumption.

Consumer credit has been treated in this discussion as one facet of the broader problem of capital formation. Acquisition of consumer durables has been likened to gross capital formation, rather than consumption, as it is treated in our national income accounts. As such it has great and probably growing importance for long-term trends in allocation of resources, composition of

output, and consumer savings. However, consumer credit is also capable of exercising important influence upon short-run changes in consumer demand and therefore has implications for economic stability.

While most analysts have been reluctant to ascribe cycle-initiating characteristics to consumer credit, few fail to recognize that it is capable of accentuating variations in demand for durables. All types of credit, of course, increase the ability of borrowers to acquire goods and services on the market. Consumer credit in this respect is not the exception. The borrowed funds act in similar fashion to a lever in magnifying the amplitude of changes in market forces, tending to inflate demands in some periods and deflate them in others. Consumer credit, according to statistical analyses, appears to expand in periods of rising income, reflecting the fact that more families reach an income level, or anticipate the attainment of an income level, which will permit them to make the periodic instalment payments. According to Haberler's study of consumer credit:

> When incomes rise in the upswing of the cycle, demand for credit increases, implying that people increase their expenditures by more than the increase in their income. When incomes shrink in the downswing of the cycle, credit contracts and people are forced to decrease expenditure more than they would if they had not contracted debts in the preceding upswing. It follows that credit intensifies the cyclical swings in consumer expenditure, and hence in economic activity. . . .

The funds to meet these credit demands are supplied from two basically different sources, and the distinction is relevant for purposes of appraising the potential impact of such credit upon the economy. Part of the loan funds represent savings—funds withheld from consumption uses and made available to borrowers either directly by the saver or indirectly through financial intermediaries. The provision of loanable funds from savings, however, is merely a process of redistributing a surplus of liquidity from lender to borrower, and does not involve any net increase in the total of spendable funds. To the degree that the borrower's spending power is expanded, that of the lender-saver is diminished.

A significant part of total consumer credit, however, does not arise from this saving-lending process. Instead, the funds are secured from the commercial banking system. At the close of 1955, approximately one-third of all consumer paper was held by the commercial banking system. In addition, a substantial part of the consumer loans held by other classes of institutions—sales finance companies and retail outlets—was financed indirectly from bank credit.

The distinctive feature concerning credit originating with the banking system is the fact that the provision of such funds does not depend upon savings having previously been placed with the banks. Instead, the banking system creates the funds which it lends. When a commercial bank extends a loan, the borrower receives the proceeds of the loan in the form of a credit to his

checking account. These increases in checking accounts represent new money, which increases the spendable funds in the hands of borrowers without decreasing money balances held at other locations or by other persons. This is the feature which sets apart commercial bank lending, for loans from other sources are accompanied by a decrease of funds in the hands of others equal to the amount of the loan.

The precise effects which credit expansion may have upon the economy depend, of course, upon the stage of employment which exists, as well as the source of the credit. If full employment conditions prevail—as at present—and incomes are already at a level sufficient to clear the market, injections of purchasing power tend to have their principal effect upon prices rather than production. Stimulation of demand is unlikely to produce significant expansion of real output under this assumption, but the additional dollars competing for available supplies will tend to drive prices upward. Where commercial bank credit has provided the source of borrowed funds, purchasing power in the hands of borrowers will have been increased without the automatic saving offset which accompanies nonbank lending.

Public demand for loans and bank judgments of the creditworthiness of borrowers alone cannot be depended upon to bring about appropriate changes in the quantity of money over the course of a business cycle. Indeed, if these factors alone were relied upon, changes in the quantity of money would tend to be excessive, first expanding and then contracting unduly. When there is an increase in the demand for goods, demand for loans on the part of consumers as well as businesses is likely to increase. At the same time, lenders' judgments of creditworthiness are likely to become more optimistic. If the resulting expansion in the supply of money exceeds the increase in the supply of goods and services of which the economy is capable, then higher prices must result.

Demand for Loans From Borrowers

Conversely, when there is a decline in the demand for goods and associated decline in employment, the demand for loans from borrowers whose credit standing is acceptable is likely to be reduced. The proper goal of public policy in this circumstance is clearly to foster adjustments in the level of demand such that the economy neither strays into inflation nor slides into recession. In order to moderate excessive swings in the volume of money, a central monetary authority—in this country the Federal Reserve—has been established in many nations. Its purpose has been to supply additional funds to meet long-term growth needs of the economy, but also to help check excessive credit expansion in periods of inflation or threatened inflation. Because of the dependence of the commercial banks' lending capacity on their reserve position, lending activities of banks can be influenced by alteration of their reserve balances. Reserve balances of the commercial banking system can be eased when recession threatens, and tightened—as in the past year—when inflation threatens and a restriction on growth of the money supply is required.

Obviously, one of the important factors—quite possibly the crucial factor—determining the volume of consumer credit in future years will be the level of national income and production. While projections of economic activity differ in many notable respects, it is necessary to note here only the point that they contain no serious disagreement over the expectation that there will be growth. In addition, there is evident over a number of years a trend toward proportionally larger amounts of durable purchases in the composition of consumer expenditures.

The significance of this trend toward a larger volume of purchases of consumer durables is fairly clear. So long as consumers desire to maintain the build-up in holdings of durables in order to secure an increased flow of services from these goods, a continually increasing output of durables will be required. This is another of those Alice-in-Wonderland situations in which it is necessary to run ever faster just to maintain one's position. The reason for this lies in the fact that the larger our stock of consumer durables becomes, the greater the depreciation. In 1955, for example, the depreciation on our stock of consumer durables is estimated to have been in the neighborhood of $17 billion, compared with only about $10.5 billion in 1949 and around $8 billion in 1946. Over half of our annual outlays each year apparently go simply for replacement of wornout or obsolete equipment. Thus, to preserve the annual net increases in the stock of durables, it is not sufficient that production merely be continued at today's level. It must continually grow.

Unless such potential increase in the production and sale of consumer durables is accompanied by an offsetting trend toward a lower proportion of durables bought on credit, it is probable that the volume of consumer credit will also expand. Just what levels of consumer credit may be attained in the next ten years will be determined by a variety of demographic as well as economic factors. Population growth, price level changes, possible "structural expansion" involving new techniques for use of credit to promote sales of nondurables, and evolving credit terms will all be important influences on the extent of growth.

Sale of Consumer Durables

This potential growth in consumer credit presents both a problem and an opportunity. It presents a problem in that this already large (probably, over the long run, destined to be larger) aggregate of expenditures has shown itself capable of rather wide short-run variations. While the services of consumer durables are an essential to our present way of life, by their very nature, replacement purchases can be accelerated or postponed over short periods with consequent expansion or contraction of total demand. When the magnitude of these purchases attains the present proportion, substantial fluctuations in the year-to-year level of purchases necessarily have a severe impact on total national production and income.

Consumer credit also offers an opportunity, however, for limiting the amplitude of these cyclical movements in production. Because of the fact that changes in the level of durable purchases involve growth in credit extensions, moderation of the swings in volume of such credit will help attain the goal of growth without alternating periods of inflation and unemployment. ★★★

Credit Is What You Make It

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IN AN ARTICLE which appeared in the January, 1954, CREDIT WORLD I said: "Credit is what you make it. Consumer credit is now an accepted part of the economic system. You will get the blame *and the controls* from government if consumer credit causes trouble. The market for proper consumer credit is narrowing. The best in consumer-granting procedures are no more than adequate, but they are that, and they do exist. Are they being used? What is your judgment? What are you making of consumer credit? Are you getting people in financial trouble or continuing conveniences? Are you encouraging waste or continuing increased productivity? Are you contributing to inflation and bust, or to sustained business activity?"

I repeat this statement for two reasons. First, it enables me to say, "I told you so" with regard to the present move on the part of some people to enact government control over consumer credit. But the main reason is to introduce my theme now, which is: consumer credit is the most serious single domestic economic problem today.

Growth of Consumer Credit

In the past three years consumer credit has grown tremendously; it has forced people into financial trouble, it has encouraged waste, and it has contributed to inflation and bust. This does not mean that we are necessarily headed for a depression because of consumer credit, nor does it imply that consumer credit has not had its good aspects—it has. It does mean that we face difficulties because of consumer credit. Before tackling these difficulties, it seems wise to review the good aspects of consumer credit, and to brief the arguments usually presented to show that consumer credit is not alarming at this time.

On the side of good points, consumer credit (and in consumer credit I include mortgage debt) has put people in houses, put furniture and appliances in those houses, and put automobiles in the garages. It has educated some, and cared for the sick, and furnished vacations for the weary. It has created a market for goods; it has boosted sales figures on profit-and-loss statements; and it has contributed to the convenience of everyday living. Indeed, it is difficult to see our economy in this modern day get along without it. But these advantages and good points should not blind us to the fact that consumer credit is not an unmixed blessing. It can cause difficulties. Indeed, its rapid growth in recent years has caused considerable comment and evaluation by many people, as everyone who reads a newspaper knows. Some of the comments and evaluations are reassuring and should not be ignored. Generally, three points are made by those who think consumer credit is nothing to be alarmed at right now. These are:

1. Savings have expanded very rapidly. 2. Consumer credit obligations are low in relation to disposable income and, 3. Repossessions are low and no obvious troubles plague us.

There are variations and elaborations of these arguments that lend force and credence to them. This is not the place to present them, however. Indeed, I intend to examine the skeleton argument I have just presented in a rather critical fashion, and then add some more ammunition to let you see why I think consumer credit poses some difficulties to us all.

Some facts about the recent rise in consumer credit are: Consumer credit, as usually defined, increased from \$25.8 billion at the end of 1952 to over \$37 billion at the end of 1955. Mortgage debt rose from \$58.7 billion to \$88 billion. All told, this amounts to consumer spending of \$41 billion over and above consumer income in the past three years. This total of consumer debt is now 47 per cent of present disposable income as opposed to 36 per cent of the disposable income at the end of 1952. These data are all common knowledge and merely state the problem. They are neither good nor bad in themselves.

As has been pointed out, one counter idea to the rise in debt is the rise in savings that has occurred coincidently. This rise in savings seems to many people to be a counter force or a cancellation factor for debt. All kinds of savings data are used, but to me they all lack strength when used in relation to over-all consumer debt. Some savings data contain dubious items including demand deposits and payment on debts. Others involve dubious methods of calculation. But the real issue, it seems to me, lies in the assuming that total savings can offset total debts. They may, to be sure, but not necessarily. We cannot be sure that the people who have borrowed are also the people who have saved. Nor can we be sure that if borrowers stop increasing borrowing, savers will step in and spend savings. This is not to say that savings are not important to the health of the economic system. They certainly are; but they have limited value as a counter to consumer debt. This leaves two other factors which will be taken together.

How High Can Consumer Credit Go?

I think we should recognize that no one really knows how high, as a percentage of disposable income, consumer credit can go before it becomes dangerous. Nor can anyone know for certain how much of the annual disposable income can be devoted safely to meeting instal-

ment payments. On the other hand, it does seem to me that all average or aggregate data for the nation as a whole are deceiving.

All kinds of data reach the press as measures of the burden consumer debt places on income. For instalment sales alone, the data range from a low of 12 per cent of the consumer's dollar going for payments to a high in the neighborhood of 17 per cent. I do not know which figures are correct, if any are. I believe the high and low figures give us the limits and that is sufficient at least to point up the problem—and we cannot expect much more from economic analysis at its present stage of development. On the other hand, regardless of the exact figures chosen, many analysts forget to subject them to the proper arithmetic. For example, we know fairly certainly that only about half of the people have any instalment debt at all. Hence, quite obviously the full burden of payments falls on roughly half of the disposable income. This doubles whatever figure is being used. Then we know, also rather certainly, that many of those who have instalment debt, do not have much. Indeed, averages being what they are by definition, roughly half of the people with debt have less than the average and half have more. This means that we increase again the burden that debt imposes on the incomes of those who have most of it. Of course, if I follow this logic to its illogical conclusion, I will have one family bearing the whole burden. Hence, it seems wise to examine the situation from another point of view while holding the principle just stated in mind for future reference.

Majority of People Not Oversold

You are all familiar with the survey made by the Associated Credit Bureaus of America concerning people and debts. In brief, and in simplified form, it said: "70 per cent of the people will insist on handling their finances properly; they cannot be oversold; 20 per cent of the people will become overinvolved at times or under some conditions if they are not properly guided; and 10 per cent of the people approach the dead-beat category." One could debate such figures in particular and perhaps the real truth lies a few percentage points one way or the other. But it is difficult to avoid the conclusion that a minority of the people will tend to accumulate the greatest amount of debt. It is also difficult to avoid the conclusion, when all ideas are considered, that a rather significant minority of people account for more than a proportionate share of the total debt. This conclusion is also borne out by every credit executive I know. Each one of them can give me cases of people who have $300 per month incomes and $3,000 of consumer debts. And each one of them can add up enough of these cases in their files to indicate that the total amount of money involved is significant. As a friend of mine, a rather keen student of consumer credit, puts it: "Never have so few owed so much to so many." That succinct statement comes from Burdette C. Gardner, Manager, Credit Bureau of Hornell, Hornell, New York, and it seems to me to sum up many of the issues involved in estimating the burden of consumer debt on income. It also leads to the conclusion that there are many people in trouble with their debts whether such troubles have come to the surface or not. In this connection there is other evidence coming to light at present in the way of news and feature articles in such publications as the *Wall Street Journal*. Most of you have probably read such articles and it seems wise for me to discuss other facets of the consumer credit problem.

The big issue that brings out other facets arises from the fact that in three years consumers have borrowed $41 billion to spend over and above their incomes. This has been an inflationary force. It may have been countered by other forces in the direction of deflation, but the increased borrowing has been inflationary. If, and when, such increases cease entirely or even to maintain their rate of increase, the result will be deflationary. This conclusion is the result of simple and immutable arithmetic. It means that consumer spending will no longer be as strong a prop to prosperity as it has been, and the strength of other props will be tested. What those props will be and how strong they will be, I do not know, but for certain we will need them. However, you must have noted that this approach is on the aggregate or over-all level of analysis, which is somewhat contrary to the general approach of the arguments that preceded it. In short, specific analysis seems to be called for and it is possible.

Industries Depend on Consumer Credit

The automobile and home building industries are two cases in point. Both of them depend heavily on consumer credit in making sales, and both of them have expanded the amount of consumer credit outstanding on their products. In other words, both industries have depended for part of their market on the future incomes of people. The auto industry, to be more specific, had factory sales of about $12 billion in 1955, and to make these sales called forth a $3.5 billion expansion in debt of auto buyers. The debt expansion, in other words, accounts for roughly one car out of three as far as factory sales values are concerned. It accounts for a good deal more than the combined total net profits in 1955, of all the major auto companies. I do not have comparable data for the home building industry, but the ratio is obviously greater by the very nature of the financing involved. The implications of these data for auto sales and housing sales are rather startling. If people do not continue to go deeper into debt, the automatic drop in auto and housing sales will be no less than drastic. This is alarming to me for the simple reason that sooner or later the build-up of debt must halt—the only real issue is when.

I have long since stopped guessing when the top will be reached, and I will not try to evaluate the signs indicating that the top has been reached for autos and housing. I will comment to the effect that *if* auto and housing credit has stopped rising (as some say it has) then the auto industry and the housing industries have not even begun to cut back. To all this, of course, must be added the qualifying: unless something else steps in where consumer credit leaves off. And this leads to some other facets of the problem which, so far as I know, are exclusive with me. At least, I have not come across them elsewhere.

The other facets of the problem to which I refer can best, it seems to me, be explained under four headings: 1. spot inflation, 2. borrower's values, 3. mortgaged income or markets, and 4. freezing the future.

By spot inflation I am referring to the fact that the

increased demand for goods that arises from increasing consumer debt is not spread evenly. In other words, only some products have pushed up their sales in such a manner. This has the tendency to indicate that these products are more valuable, relative to all other products, than they really are. If we conceive of the market place as a great polling booth where we vote our dollars for the goods we want, thereby establishing their relative values, then the product that offers to accept future dollars is really stuffing the ballot box. For lack of a better term, I call this spot inflation. This has all sorts of implications including the ability of the companies in the inflated industries to raise wages, charge high prices, build new plants and in general act prosperous. It means also that a demand drop which will accompany the top in consumer credit rise will fall most heavily on the inflated industries. I implied this in my specific examples prior to this but did not state it. So much for spot inflation at the moment; the next item is borrower's values.

Expressing Our Desires and Values

In the great polling booth where we vote our dollars for the goods we want we are also expressing our desires and values. When, for example, you put down $300 for a television set, you are in effect saying the set is worth at least $300 to you. The TV set manufacturer, on the other hand, has to find enough people like you to move his production. Of course, he has to deal with all kinds of people; some could and would pay more than his asking price, and some neither could nor would if they could pay such a price. But the real critical groups are two in number. The first could pay the price, but will not. The second would pay the price, but cannot. The first group has the dollars but refuses to vote them for the set involved at the price asked. The second group does not have the dollars but would vote them if it had them. If all the sets are not sold before the manufacturer has to deal with these two groups, then they are going to determine whether or not he will have to cut his price, or his volume. The only way the manufacturer can meet the terms of the fellow who has money but will not buy is to cut the price. This he may not wish to do, so he may reduce his production volume.

But consumer credit offers him another possibility. He can look at the people who would pay the price if they had the money. To these people he can make an offer to lend them the money to buy the TV set. Some of these will say "no" to his offer; some people just will not buy with borrowed money, as we all know. Some, however, will take his offer and agree to pay later. These are the borrowers; and if the TV set producer finds enough of them he can maintain both his price and his production. He might even be able to raise his price and increase his production. Note carefully, it is the borrowers who really call the turn. Hence, if the borrowers move out of the market for any reason at all, the value of the sets will change—and no one knows how much it will change. The borrower's values then will disappear. This brings up a crucial issue: If you were making a product to sell to people who do not borrow money would you design, package, and merchandise it, or in any way change it from a product to be sold to people who are quite willing to go deeper and deeper into debt? Would you in any way change the volume to be produced? I know the questions are debatable; but I would offer a different product, in different volume, to nonborrowers than to borrowers. I think the buying motives, habits, and decisions for the two types of people are different. If I am right, then the industries that have depended heavily on continually increasing consumer debt are in for still more trouble than a mere drop in demand when consumer debt for their product stops rising. They are, in part at least, going to face a group of buyers with different motives, habits and decision-making circumstances. They do not know, and it will take them some time to find out, how much their existing product is out of line with reality. To be specific, it seems to me that the automobile industry, as no other industry in our history, will sooner or later be facing this problem of borrower's values. The home building industry is not far behind. This is important in the face of a belief by some people that the auto and housing industries will not carry the rest of the economy with them on the downturn in the same fashion that they sparked the general upturn in 1954-1955. This last statement, by the way, is almost a direct quote from the *First National City Bank Monthly Letter,* February, 1956. It leads me directly to my final two facets of the consumer credit problem.

These two facets are, you will recall, mortgaged income and markets, and freezing the future. To keep with specifics, I shall stay with my two illustrations, housing and autos. Both of these industries are presently in a stage of decline. This is common knowledge. Whether they will decline to the serious degree which the foregoing analysis indicates is possible, or whether they will decline the moderate amount that many forecasters anticipate, is a moot issue. But even those who anticipate the most moderate of declines in these industries at this time, are aware that such declines might have adverse influences on the rest of the economy. Their belief that a downward spiral will not start is based on the idea that other industries are expanding and will take up any major surplus productive power released by autos and housing. This is possible, desirable, and such adjustments are a fundamental cornerstone of the whole free enterprise system. However, the rapid growth in consumer credit in the past few years has put some road blocks in the way of such adjustment. These road blocks may not stop adjustment, but they certainly will not help.

Money Diverted From Housing Used for Appliances

I note, for example, that many appliance manufacturers expect that money diverted from housing and autos will be used to purchase appliances. This is fine, except that much of the auto and housing demand was not from income, but was from future income borrowed in past years to be subtracted from future income. It is impossible to divert what has already been spent. Still further, since I specifically mention appliances, I should

mention that some of the housing credit was indirectly appliance credit as many new houses included appliances of various kinds in the total selling price. In brief, if color television, to use another example, expects to take some of the money this year that autos got last year, it is going to find that autos already have it—they got it last year. This may not stop the growth of a new color television industry, but it is not going to help any.

From another point of view an adjustment means the realignment of men, machines, materials, management, and plants. Consumer credit has inflated demand in general; and by spot inflation, the demands for some products in particular; and through borrower's values, the whole cost and product structure of the industries involved. The companies that seized on these opportunities of inflated demand set up plants, wage rates, bought materials and parts, set up distribution systems, and in the process everyone concerned in one way or another committed himself to the continuance of the status quo as it became established. In other words, it is a short and direct road that leads from an expansion in consumer credit to a General Motors assembly line worker establishing a "Buick" standard of living in Flint, Michigan. The road is not so short, nor so direct, for this same worker to transfer to the color TV assembly line if he is one of the auto workers presently laid off. It will be far longer and less direct if the number laid off climbs appreciably.

Again I wish to point out that nothing proves that the transfer will not be made; but the inflated wages he has made, the inflated production he has participated in, the specialized plants he has worked in, the special machines he used, the future consumer spending he has helped to mortgage, and the type of borrower-value product he has worked on, will certainly not make the worker's transfer any easier. The house builder shifting to public, commercial, or industrial construction has an easier task in one sense, but the road has its pitfalls as you will discover if you think the problem through. In brief, much of our past consumer credit increase is not only recorded in a ledger—it is engraved on the face of our industrial landscape in all its physical and social aspects. This is the end of my analysis of why I think consumer credit is the most serious single domestic economic problem of the day.

Road Block In Way of Adjustment

You will remember that I started by saying that consumer credit has placed people into financial trouble, that it has contributed to inflation and bust, and I should now like to add that it has established road blocks in the way of adjustment. I will grant that it seems like a pretty black and dismal picture, at least the way I put it. Frankly, I do not know whether it is as black as I painted it, blacker, or not black at all. I do feel that the forces I have described do exist and are operative; I do not pretend to know how strong they are. I would feel a whole lot less anxious about them if I noticed many of our leaders in economics, business, and government concerned about them. But I do not notice consumer credit getting much attention except in three directions: the auto and housing industries are crying for looser terms, which indicates they must be disregarding completely the dangers to the rest of us in the interest of finding some way to maintain their present profits; economists in general seem to emphasize all factors in consumer spending, including all possible increases and changes in consumer wants, but tend to brush off the influence of consumer credit; and the government officials get embroiled over whether or not direct credit controls should be established, while they, too, try to figure some way to maintain the status quo. Everything but what I think are the real issues get discussed; it is all rather discouraging to me. But of one thing I want you to be positive: I do not believe that anything I have said means that I am espousing direct consumer credit controls.

Direct Consumer Controls Unnecessary

In the first place, I do not favor direct consumer controls because I do not believe they will work; without going into details, I think they are administratively impracticable. But more important, I do believe direct consumer controls are necessary, and I have several reasons for this. My first is a broad one and is based on the belief that the use of the presently known methods and devices of investigating the borrower will keep people from getting too far in debt. To get more businesses to use these methods is a matter of education and intelligence, not governmental control. My second reason for believing credit controls are not necessary is that many businesses and industries have been quite sensible and quite sound in the use they have made of consumer credit.

In every industry, of course, there are some businesses that have used consumer credit recklessly to their own eventual detriment and the detriment of other people. By and large, I think such excesses in most industries can be absorbed with the major pain being felt by those directly responsible. Therefore, it is the auto and housing industries that have disregarded anything but their own immediate and selfish interests. Hence, I should place direct blame mainly on those two industries if the forces I have described get out of hand. They are both big industries, but they are not as big as the rest of us, and I see no reason why their excesses should be the reason to force inefficient and ineffective direct controls on the rest of us. ★★★

Crediphoto Reporting

G. Winthrop Wells

Manager, Credit Bureau of Rockland County

Nyack, New York

THIS IS AN explanation of the new concept of credit reporting and master credit record system now in use at the Credit Bureau of Rockland County at Nyack, New York. Crediphoto Reporting is a method of producing written credit reports using photographic or photocopy equipment in connection with specially designed printed accumulative record (Crediplex) master file forms. The forms may be made from card stock, sheets of paper; or several printed cards and/or paper forms may constitute the master record.

The new concept of Crediphoto Reporting was developed to reduce our costs of producing written Credit Bureau reports, to increase the speed and accuracy of our reporting service to members, and to provide a means of incorporating photographs or printed pictures of individuals as an integral part of credit reports for identification purposes. We all acknowledge the advantage of the Addressograph and other methods of using a master stencil from which accurate prints of names and addresses can be made and which eliminates proofreading. The same principle is used in the new concept of credit reporting but using different equipment and the use of photography instead of mechanical methods of producing prints from an original record. In the new concept of Crediphoto Reporting, all information which can be recorded on a master file form so it can be used as part of a credit report, becomes a permanent part of the accumulative record and forms part of the information contained in each new report compiled. The Crediplex form provides space for the accumulation of information over a period of five years for the average record and provides an automatic method of weeding the master file.

Mechanics of Crediphoto Reporting

In Crediphoto Reporting the printed headings and typed information on one side of a card, both sides of cards, a sheet of paper or two or more cards or paper forms are copied together with the Credit Bureau heading and restrictive clause. In the Thermo-Fax photocopy process and the Photostat operation, other identification material such as a photograph, newspaper clipping, or a printed picture of an individual superimposed over a blank section of the forms may be included. Any number of duplicate copies of the original forms containing the combination of printed and typed information, newspaper clippings, etc., can be produced by the use of photographic or photocopy equipment and special chemically treated paper furnished by the manufacturers of the equipment. The chemically treated sheet of paper on which all pertinent information bearing on the identification and credit standing of an individual is reproduced becomes the credit report which is sent to the individual or firm ordering the report. In the Thermo-Fax process a form holder with a silk screen is used to feed the forms through the machine in the copying operation and also carries the Credit Bureau heading, restrictive clause, and the photo or newspaper clipping.

The method used in accumulating factual credit information in our files on specially designed master file forms is the key to the new concept of credit reporting. The design of the Crediplex master form has been accomplished in a manner which permits all essential file recording and reporting procedures to be handled with a minimum of time and expense. Let us consider the step-by-step accumulation of records using the new Crediplex 5″ × 8″ card forms and a cellophane envelope. On an original inquiry where no record exists in file, a cellophane envelope with a supporting name and address card serves to hold a copy of the inquiry slip for file checking. The copy of the inquiry slip in the envelope with the card originates the file record in this step. If the original record is a rating of an account reported by a member or the filing of an account for collection, the information may be recorded on the back of the Crediplex form in its proper place, the name and address filled in by typewriter, and the card inserted in a cellophane envelope to set up the file record.

Subsequent recording of credit ratings, code numbers or names of members inquiring, or other records may be added to the back of the master card as required. Where no new information is provided by the member inquiring, a handwritten notation of the date and code number or name of the member may be used and the first inquiry slip destroyed so the envelope will not become filled with unnecessary duplicate records. If information on the original inquiry slip varies from that given on the second inquiry slip, supplemental pencil notes may be transferred to the second inquiry slip and the original destroyed. ***At no time should any information be typed on the front of the master card in any section from the member's inquiry slips until it has been verified.***

Where a judgment is to be recorded, it should be typed in the public record section using a single line for recording under the proper heading. When the first special checking of members who have inquired, reported ratings, or filed collection items is completed, the information may then be typed in the credit record–special information section of the card. On the first complete revision of the master record all information is typed under proper headings using single-line recording and giving only information called for in the headings. Explanation of special conditions, or supplemental information, if necessary, is placed at the bottom of the credit record–special information section of the card.

Inquiry forms, supplemental information forms, mortgage and chattel record slips which many Credit Bureaus use, may be cut to 3″ × 8″ or smaller and inserted behind the credit record card when the single-card system is used, or between the fold of a double card or between the two 5″ × 8″ cards if a duplicate card system is used. If a record is started on the single

Crediplex form and the activity of the record fills up the space for code numbers or names of members inquiring, the back of the 3" × 8" credit record card can be used for recording additional file inquiries and retained as a permanent part of the master record. Where voluminous antecedent information is maintained on the full double card, a copy of this information may be produced photographically by reversing the fold of the card during the photo or photocopy operation.

In recent years the concept of Credit Bureau operation in many areas has changed from the compiling of up-to-date credit records on the specific request of a member to the daily compilation and revision of active credit records. The Crediplex master record form is well adapted to this concept of Credit Bureau operation. Variation in the design of the master form used is dependent on the size of the Credit Bureau installing the system, the type of photographic or photocopy system used, the activity of records, type of filing equipment used, and individual preference of the Credit Bureau manager.

Method of Accumulating Information

By using the predetermined method of accumulating the information typed on the master (Crediplex) forms under the correct printed headings and in the proper sections of the forms, a "living" record of an individual is accumulated. Superimposition of a card or paper form on which revised credit information is typed is used for producing revised credit record sections of a credit report at the time revision is required and photography or photocopy of the record is necessary. All retyping of detail regarding an individual which may be used in subsequent photocopy reports is eliminated in this system. Information which is not suitable for use in the credit report may be written on the original forms with a red pencil or ball-point pen and will not be reproduced in the Thermo-Fax photocopy process. Other factual information may be accumulated on the reverse side or sides of master forms where such information is not suitable for inclusion in the Crediphoto Report. Proofreading of all information typed and checked prior to current revision is eliminated. Elimination of any particular printed and typed part of the accumulative master credit record may be achieved when making the photographic copy or photocopy by covering the material to be eliminated with a paper shield.

Crediphoto Reporting using the specially designed (Crediplex) accumulative master file forms may be integrated into any Credit Bureau operation without the necessity of changing the filing system if a sheet of heavy paper or thin card stock which can be folded is used for the preprinted master form. Thin paper is not suitable with the Thermo-Fax system as typing and printing on the reverse side of the paper is also reproduced. It is unnecessary for a Credit Bureau to retype existing master in-file records in order to start converting to the new system. Master in-file records may be accumulated at any time on suitable forms to fit the files used in any particular Credit Bureau. A double 5" × 8" folded card can be used for the master form without a cellophane envelope but file activity may soil the form unless care is used and the form folded so the sections of the form containing the permanent information are inside the fold. The advantage of the separate 5" × 8" card and cellophane envelope system is that until activity of a record is such that the second card section must be added, only one 5" × 8" card is necessary to establish and maintain the record, thus reducing the demand for filing space. The space allotted in the special information section automatically eliminates wordiness of information reported. Crediphoto Reporting eliminates the cost of reporting forms and provides a new incentive toward standardization of a reporting form which can be used for both local and interbureau reporting. Better organization of in-file records and elimination of up to 70 per cent of typing normally required in the production of written credit reports result in a reduction of reporting costs by as much as 33⅓ per cent with Crediphoto Reporting. ★★★

for the *Smaller Businessman*

SALES PROMOTIONS • OFFICE PROCEDURES • CREDIT AND COLLECTION PROBLEMS

What Makes a Satisfactory Credit Application?

THERE ARE almost two million retailers in this country. Over half of them employ three or fewer people. Only one in ten retailers employs over one hundred people. Overwhelmingly, therefore, retailing is *small business.* In this vast field of retailing, credit plays an important part. Almost one-third of all retail sales are on credit—over $60 billion a year. Correct credit techniques and procedures are accordingly extremely important.

We have no exact figures on the point, but we strongly suspect that greater credit losses are suffered, percentagewise, by the small merchants than by the large department stores and specialty shops. Some customers show a distressing tendency to impose on the small merchant. Hence, this article is directed specifically to credit interviewers in small businesses in the hope that it will be helpful to them in their important work.

Successful Credit Extension

The credit application lies at the heart of successful retail credit extension. Analysis of retail credit losses shows that most of them stem from insufficient information about the applicant in the beginning. Because the small merchant usually knows his customer personally, or thinks he does, there is strong temptation to rely on personal knowledge and judgment instead of on full information and thorough professional investigation.

We urge upon the small merchant the necessity and sound procedure of taking a complete credit application and of clearing each through the credit bureau. We know that this is not always done. It is startling to find the number of customers on the books of the average small merchant for whom no satisfactory credit application exists and on whom no credit bureau report has been secured.

The job of the credit interviewer is to obtain from each credit applicant sufficient information to enable the credit bureau to do three things swiftly and completely. These three things are:

1. Identify the credit applicant beyond all doubt.
2. Prove the accuracy of the statements made.
3. Check the trade and other references given.

Armed with this information the credit bureau machinery of checking goes into high gear and the report comes to you rapidly and accurately. If the necessary information is *not* given to the credit bureau, you can imagine the delays that are likely to occur. Your help is essential to ensure prompt and complete credit bureau service which, in turn, is essential to sound credit management.

Credit information can be divided into two parts. The first is *basic information* and the second, *supplementary information. Basic information* must always be obtained. *Supplementary information* is obtained to the degree the store or firm policy requires.

Let us explain *basic information.* For an adequate credit application, always obtain the *full name of the applicant* for credit. Does that sound too elementary? You would be surprised at how often the credit bureau is denied even this essential part of basic information. Imagine the problem posed to the credit bureau when an inquiry comes in for John Smith, Main Street. There might be, and probably are, dozens of John Smiths on Main Street! By full name we mean the first name in full, middle initial, and last name. This is fundamental—get the full name and get it accurately. Be careful of spelling errors; check and double-check!

Obtain the full name of the applicant's wife. Usually, accounts are opened in the name of the husband but the wife's full name is also necessary in order to establish identity beyond all doubt.

The first step is, therefore, *"Who is he?"* Of that you must be sure. The next part of basic information is *"Where is he?"* Here again, complete and accurate information is essential; vague, incomplete addresses lead to confusion and delay. Obtain full details of the applicant's address, including street number and postal zone. Secure previous address or addresses, if applicant has moved within the past two or three years. It is helpful to have a previous address, in any event, to help the bureau be positive that they are checking on the right person.

Identifying the Applicant

Now the applicant is identified and located. The third part of basic information is *"Where does his income come from?"* Employment record of the applicant during the past five years should be secured. Name of employer, firm's location, department in which employed, and position held. If it be a large business, the badge or clock number is helpful. Also, inquire about details of employment of others in the family; this has a bearing on an estimate of total family income.

Obtain details of bank accounts, where held and type of account (checking or savings). Information about ownership of real estate is important and, in some cases, details of life insurance owned. Finally, secure the names of stores and firms where the applicant has previously established credit, information concerning the type of account and if it has been inactive for some time or is being currently used.

That completes the *basic information* required for a satisfactory credit application. By securing this, in every case, the credit interviewer provides the credit bureau with the necessary facts for a prompt and accurate report to be developed on which a sound credit decision

can be based. If every credit interviewer throughout the nation would follow these rules many of our problems in serving our credit customers would vanish and the whole retail credit structure would be benefited.

Now let us discuss *secondary information.* This is information that can be useful later in servicing the account and especially so if the account becomes a collection problem or a skip. We recommend you follow the policy of your store concerning this part of the credit interview; get instructions as to how much of this information should be obtained.

Telephone number. This is useful in proving identity should that later become necessary.

Names of personal references. These are not important in credit analysis and investigation, but can be of immense value in helping to locate debtor should he become a skip.

Automobile ownership. This information is being required by more and more credit managers every day. Automobile ownership is so widespread and the acquisition of one such a significant part of the family budget, that the financial details should be made known to the interviewer when a new application for credit is being made.

Name of close relative. Again, not particularly valuable in circumstances other than in skip-tracing.

Outside activities and affiliations. Information concerning lodge and club affiliations can often be obtained merely by being observant. If the applicant wears a lapel pin, which you recognize as indicating membership in a lodge or club, that fact should be noted on the application. The information has no bearing whatever on the applicant's credit responsibility but might be one way of finding him should he disappear!

In general, *supplementary information* means every item you can discover about the applicant, much of it by being a *good listener.* In fact, listening is 80 per cent of successful interviewing. Be genuinely interested in the applicant and you will be amazed at what you will find out without *questioning.*

We caution you against seeming to *examine* the applicant . . . you know, put him through the "third degree." Ask as few questions as possible. Let the interview develop itself in a conversational, casual way. Of course, you are in control at all times, but not obviously so.

Be sure when the interview is over that you have *all* the *basic information* and as much of the *supplementary information* as necessary.

Here are your objectives:

1. Provide the credit bureau with the basic facts.
2. Get as much information as needed to enable a sound decision to be made on whether to open the account or not and how much credit to allow.
3. Conduct each interview in such a manner as to make a friend and profitable customer for the store.

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Members are cordially invited to send for a complimentary copy of a booklet, *The Road to Profitable Credit,* which contains suggestions on which this article was based. Write to: National Retail Credit Association, 375 Jackson Avenue, St. Louis 5, Missouri.

An Exceptional Educational Opportunity

Specialized training is needed for maximum success in retail credit work in this complex credit economy. This specialized training is now available to you. A Consumer Credit Management Institute will be conducted at the University of Oklahoma, Norman, Oklahoma, July 23-27, 1956. You are most cordially invited to attend.

This week-long Institute will be sponsored by the National Retail Credit Association, the University of Oklahoma, and the Oklahoma State Department of Vocational Education. All sessions will be held in the modern, air-conditioned Student Union Building. Lectures will be given every morning, Monday through Friday. The afternoons will be devoted to practical workshop sessions at which specific problems in credit and collection management will be worked out by the group as a whole. Three evenings will be given to panel discussions conducted by various retail credit managers and credit bureau executives.

Subjects offered will include Retail Credit Management, Business Law, Retail Credit Promotion, Public Relations, and Business Communications. Faculty members will include William R. Bandy, Associate Professor of Law; John F. Malone, Assistant to the Dean; Robert E. Brenton, Specialist in Distributive Education (all of the University of Oklahoma), and Leonard Berry, Educational Director, National Retail Credit Association. Special speakers will be Roy E. Teter, Credit Sales Manager, Jenkins Music Company, Oklahoma City, and John J. Boxberger, Secretary-Manager, Oklahoma City Retailers Association.

All students at the University of Oklahoma, including those enrolled in the Consumer Credit Management Institute, are invited to use the campus recreational facilities, which include a swimming pool, several tennis courts, and an eighteen-hole golf course. Many points of interest, such as the several museums and educational exhibits, are also available.

Living accommodations are available on the University campus in the attractive, modern Student Quadrangle. The rate is $2.00 per night. Adjacent to the dormitory building is a large student cafeteria in which excellent and inexpensive meals may be obtained. Meals are also served in the Student Union Building's cafeteria and in the luxurious Ming Room, which is open for lunch and dinner.

Special housing accommodations can be arranged for married couples who plan to attend. However, those desiring such arrangements should forward a written request with their registration.

Students should plan to arrive at the Institute on Sunday, July 22, and check into the dormitories between 2:00 P.M. and 9:00 P.M. Preliminary arrangements may be completed at this time, and the students will be prepared to begin classwork on Monday morning, July 23.

This will be a week of concentrated study and practice in modern retail credit management. The curriculum of the Institute is designed specifically for retail credit and collection personnel. However, the subject matter is arranged and the presentation planned in such manner as to be thoroughly understandable to students, trainees, and employees who are planning a career in this field. The National Retail Credit Association will award a Certificate of Proficiency in Retail Credit Management to those completing the week's study.

The fee, which includes tuition, textbooks, and other classroom materials, is $25.00, payable to the University of Oklahoma in advance. Send registration to: M. L. Powers, Director, Business and Industrial Services, Extension Division, The University of Oklahoma, Norman, Oklahoma.

Letters to the Editor

"My sincere thanks for the presentation of an honorary life membership to me in the National Retail Credit Association and your words of appreciation for any small contribution I may have made in the field of consumer credit. As the years come and go, I am hoping that our paths will cross frequently and that our association will continue on the high plane as it has in the past."—August J. Kruse, 8226 Flora, St. Louis, Missouri.

"You have done an excellent job on the April, 1956, CREDIT WORLD honoring Shreveport. In turn the articles contributed by the credit people of Shreveport are unusually good and contain down-to-earth ideas and methods. You merit the thanks of all credit people."—Morrell Lacy, Secretary-Treasurer, Hannah's, Inc., Johnson City, Tenn.

"I read in The CREDIT WORLD of the remarkable results obtainable through the use of the book, *How to Locate Skips and Collect*. I have used some of the ideas from this book and in less than 30 days have had truly unusual activity from these letters and located people we have had no response from in six months. The use of this book already has more than paid for it."—C. W. Bousman, Manager, Military Credit Bureau, Fort Campbell, Ky.

"Your lead article in the March, 1956, CREDIT WORLD, 'Evolution of Home Ownership,' by W. R. Sloane, seemed to me to be so excellent and of interest along the line of the work of the Federal Housing Administration that I took the opportunity of calling it to the attention of the General Counsel with the possibility that it might be turned over to attention of the Federal Housing Commissioner."—Harold L. Schilz, 1504 South Pollard Street, Arlington, Va.

"I have examined the book *Streamlined Letters*, by Waldo J. Marra, and I believe it is one of the finest I have seen on the subject in my entire business career. We would like very much to put a copy of this book in each one of our 24 branch offices."—I. L. Brisbin, Assistant Treasurer, Girard Investment Company, Philadelphia, Pa.

"I thought you would be interested to know that the Credit Bureau of the Golden Triangle, Eustis, Florida, has been 100 per cent National since the day it opened for business. I have not had one criticism on this and actually believe it has done as much to keep members sold and get new ones as any one thing I did.'"—L. A. Roos, Manager, Credit Bureau of Leesburg, Leesburg, Florida.

"I was most pleasantly surprised when at the annual meeting of the local association I was informed that I had been made an honorary life member of the National Retail Credit Association. I deeply appreciate the honor bestowed upon me and wish to thank you for your thoughtfulness."—Rudolph Meyer, 204 Lafayette Street, Schenectady, New York.

LOCAL ASSOCIATION Activities

Austin, Texas

At the annual meeting of the Retail Credit Executives of Austin, Austin, Texas, the following officers and directors were elected: President, Pat Woodard, Studer's; Vice President, Fred Hubbard, Buttrey's; Treasurer, Mrs. Lois Huey, Austin Finance Corporation; and Secretary, Mrs. Horace C. Barnhart, Retail Merchants Association. Directors: Annie Mae Gissell, Goodfriend's; Chester Ayers, J. R. Reed Music Co.; Florine Ludwig, Calcasieu Lumber Co.; Pete Rowe, Hutchins Bros.; Jack Barnes, Reynolds Penland; and Viola Pircher, Merritt-Schaefer & Brown.

Denver, Colorado

The Retail Credit Men's Association, operating as the Credit Bureau of Greater Denver, Denver, Colorado, elected the following officers and directors for 1956-1957: President, H. A. Thompson, Neusteters'; Vice President, Dr. J. M. Perkins, Secretary, N. E. Marshall, American Furniture Co.; Treasurer, George D. Schweigert, United States National Bank; and Executive Vice President, Donald H. Puffer, Credit Bureau of Greater Denver. Directors: A. R. Bowler, Jordan Mortgage Co.; Lloyd M. Boyd, Furlong Industrial Bank; Ted M. Eaker, E. A. Eaker Stores; Russell H. Fish, The May Company; J. C. Love, Phillips Petroleum Co.; Joseph J. Marsh, Marsh-Wimbush Co.; Frank McLister, Kohler-McLister Paint Co.; and R. N. Swanson, Interstate Radio and Supply Co.

Fort Lauderdale, Florida

At a meeting of the Broward Retail Credit Association, Fort Lauderdale, Florida, a new National Unit, the following officers and directors were elected: President, C. W. Speck, McCann-Freeman Co.; Vice President, F. W. Halferty, Fort Lauderdale National Bank; Secretary, Charles A. Lassa, Credit Bureau of Broward County; and Treasurer, Eileen V. St. Mary, Scott's. Directors: Joe S. Graham, Credit Bureau of Broward County; B. H. Hague, Shaw Bros. Oil Co.; B. J. Trussell, Jr., Burdine's; and R. P. Alley, Sears, Roebuck & Co.

District Seven at Wichita

At the annual meeting of District Seven, held at Wichita, Kansas, the following officers and directors were elected: President, Forrest R. Brunson, Emery, Bird, Thayer, Kansas City, Mo.; First Vice President, Babe Cialone, Merchants National Bank, Fort Smith, Ark.; Second Vice President, O. V. Hinton, Public Service Co., Tulsa, Okla.; and Secretary-Treasurer, Frances R. Smith, Hunt Dry Goods Co., Fort Smith, Ark. National Director is Elton L. Jordan, Oklahoma Gas & Electric Co., Fort Smith, Ark., and Alternate National Director, Roy E. Teter, Jenkins Music Co., Oklahoma City, Okla. Directors: Jack Shields, Skelly Oil Co., Wichita, Kan.; Ernest B. Wilson, Harrison Broadcasting Co., Harrison, Ark.; Cyril J. Jedlicka, City National Bank and Trust Co., Kansas City, Mo.; James D. Stone, National Bank of Tulsa, Tulsa, Okla.; Ed Falk, Jr., Newman's, Joplin, Mo.; R. C. Helvie, People's Loan & Investment Co., Fort Smith, Ark.; Douglas Evans, Sample's, El Dorado, Ark.; and Wallace T. Ferguson, Skelly Oil Co., Oklahoma City, Okla.

Kansas City, Missouri

At the annual meeting of the Retail Credit Association of Kansas City, Kansas City, Missouri, the following officers and directors were elected: President, Cyril J. Jedlicka, City National Bank & Trust Co.; First Vice President, J. L. O'Connor, Rothschild's; Second Vice President, Clifford Fears, Macy's; and Secretary-Treasurer, A. L. Dye, Credit Bureau of Greater Kansas City. Directors: H. F. Lancaster, Peck's; J. M. Boone, Katz Drug Co.; R. C. Hunt, Craddock Uniform Co.; Leroy Wilson, Encyclopedia Americana; Eleanor Lucas, Atlas Acceptance Co.; Ewing Duvall, Cities Service Oil Co.; and C. K. Walver, Greenlease O'Neill, Inc.

Raymond, Washington

The new officers and directors of the Retail Credit Association of Pacific County, Raymond, Washington, are: President, Edward J. Lafferty, Willapa Distributing Co.; Vice President, Margaret Newton, Willapa Harbor Hospital; Secretary, R. D. McDonald, McDonald Credit Service; and Treasurer, Frieda E. McDonald, McDonald Credit Service. Directors: Ralph Bond, Dennis Co.; Walter Lorentson, South Bend Transfer Co.; John Nielson, Jensen Furniture Co.; Lawrence Remington, South Bend Iron Works; Lucile Richardson, South Bend Transfer Co.; and Halvor Holte, Jeweler.

Corpus Christi, Texas

The new officers of the Credit Executives of Corpus Christi, Corpus Christi, Texas, are: President, Millard Snell, Lichtenstein's; Vice President, Mrs. Z. Culberson, Fedway's; Treasurer, Edward R. Harby, Goad Motor Co.; Secretary, Clarence Ashmore, Randall's. Directors: Tom Walker, Central Power & Light Co.; Reba May, Lewis Boggus Motor Co.; David Mayerson, Nueces Furniture; and Nell Futch, J. E. Rhodes, Inc.

Roseburg, Oregon

At the annual meeting of the Retail Credit Association of Douglas County, Roseburg, Oregon, the following officers were elected: President, Ralph Ohman, Sun Printing Co.; Vice President, Louis Suiter, Suiters Building Supply; Treasurer, Daynise Beach, Miller's Department Store; and Secretary, Gordon Stewart, Douglas Credit Bureau.

The Necessity for Credit Sales Promotion

THIS article is based on two fundamental premises. The first one is that consumer credit is a vital and essential force in our national economy. The second, that the aggressive and optimistic retail credit executive is the greatest single source of profitable business in the store or firm. This is written for the guidance and inspiration of those engaged in retail credit work, who recognize the importance of developing themselves as credit sales promoters and who want to know how best to achieve that objective. Also, it should be added, this is intended for the store or firm wishing to utilize the power of credit to increase profitable sales. At the onset then, we assume that those who read this are already credit "sales-minded" and that they are working for stores or firms that are "credit-minded."

Retail credit management is traditionally concerned with four major steps. They are:

1. Opening the account.
2. Investigating and analyzing the application.
3. Setting credit limits and completing the bookkeeping routine.
4. Collecting the account.

Each of these four areas of the work is important. Total competence in them is required of the modern retail credit executive. Indeed, it is expected of him. What we are concerned with now is an additional step, and that step we call the total effort necessary to merchandise credit as a sales tool.

The first four steps, taken together, form the protective side of retail credit management. The additional step, with which this article deals, is the promotional side of retail credit management. About the protective phase of retail credit management much has been written. Numerous excellent textbooks are available. However, about the *promotional* side of credit work, much less has been written, perhaps because of its relative newness.

Retail credit, as a phenomenon of commerce, is actually very old. Credit has been employed in one form or another since the earliest days of man's business relationship. Indeed, the use of credit antedates the use of money itself. Credit deals were often made part of barter arrangements. However, the purposeful use of retail credit as a promoter of sales is comparatively new. It was only after the close of World War I, when it became necessary to adjust to a peacetime economy after the rapid wartime development of mass production of goods, that retail credit entered into its new role. It was found that large inventories of manufactured goods could best be absorbed by consumers when liberal credit arrangements were provided.

In today's far more complex economy, credit has become an indispensable factor. Mass production techniques, developed in recent years to an almost unbelievable extent, form the basis of the American standard of living. This standard, which is the envy of the world, simply means that more of the good things of life are made available to, and are used by, more people than was possible in any previous economy. Mass production depends on mass distribution. Otherwise, the channels of supply become clogged and shutdowns and layoffs follow. In turn, mass distribution depends on mass consumption. And mass consumption of goods would not be possible, on the vast scale we know today, without mass credit facilities. Consumer credit, then, is one of the main pillars supporting our economy. Credit has been correctly called the "lubricant" of mass production. Without mass credit the whole economy would falter and perhaps stop.

Retail credit has been transformed from a special privilege or service for the wealthy or socially prominent minority to the right of the great majority of the people. No longer is credit regarded as being somewhat dubious or even slightly immoral. On the contrary, credit is now recognized as a sound, dignified, and sensible way of managing personal finances. Installment credit, especially, has become respectable.

Management in Transition Stage

In line with these fundamental changes in our economy, the credit manager himself must change. Retail credit management is in a transition stage from the concept of credit as a customer service only to the concept of credit as a powerful aid to increase sales; from the concept of the credit manager as a protector only to the concept of the manager of credit sales as a promotional sales producer; from the concept of credit as part of accounting to credit as part of sales; from the consideration of credit work as super-clerical to retail credit management as a profession; and from the thought of credit personnel as primarily collectors to credit personnel as skilled and competent family financial counselors. This total transition, which is not yet completely accomplished by any means, means greater and greater emphasis on the promotional aspect of retail credit. Those credit executives who have successfully made the transition and have become credit sales managers are reaping the reward of their farsighted efforts. They are highly regarded in their organizations and have gained in prestige and tangible rewards.

Thus, we have seen that retail credit is an essential and vital part of our total economy. We have also seen

that this, in turn, necessitates the development of aggressive sales qualities on the part of the modern credit executive, while he retains his full responsibility as a protector of the firm's assets and profits.

Let us consider what all this means to the store or firm. Every merchant doing a credit business, must sooner or later make some decisions as to what he is going to do about credit sales promotion, even if it is only a decision to do nothing. Steady losses occur in every customer list due to inevitable changes such as customers moving away, deaths, customer dissatisfaction with merchandise or service, and all the other hazards of business patronage. Just to maintain a given level of credit volume, these customer losses, which are conservatively estimated at 10 per cent each year, must be made up.

Thus, unless steps are taken to replenish the customer list, theoretically it would die altogether in ten years. This is not altogether true in practice, of course. A certain amount of new credit business comes in unsolicited by virtue of the firm's local prestige and reputation, by word-of-mouth advertising, and by the general needs of customers seeking credit accommodations voluntarily. However, unless the store has a degree of active credit sales promotion, shrinkage of the customer list will become a serious matter.

And, for the store wishing to grow and increase its volume of sales, a definite credit sales promotion program is essential. As to the degree of credit sales promotion, the merchant himself must determine that. Only he knows the kind and size of store he wants his to be in the next five or ten years. He knows the amount of capital available for financing credit operations. The details of his competitive position in the community, the nature of his clientele, and other relevant factors are best comprehended by him. It is only after answers are given to these questions that the scope and extent of the credit sales promotion program can be determined. This calls for considerable thought on his part, but the rewards amply justify that thought.

All merchants are in business to make a profit. Credit, while being a wanted customer service, must also result in increased profitable volume to be justified. Unless thought is given to arriving at a definite credit sales promotion policy, it is possible to become involved in difficult and costly situations. In the next article we discuss the basis of a credit sales promotion policy and what it should cover.

Let us here list some of the advantages and disadvantages (from the merchant's point of view) of credit in order to help arrive at an answer to this question of what to do about credit sales promotion. Among the advantages of offering credit service are these:

1. Credit helps to secure additional business at relatively little increased expense and increases the sales capacity of the store.
2. Credit attracts customers who want or need that service. (And, it should be remembered that more and more customers are becoming accustomed to use credit.)
3. Credit enables the merchant to compete with wholly cash stores in service rather than on price alone. (Many customers are willing to pay more for the "service" atmosphere and the conveniences and "extras.")
4. Credit *personalizes* business transactions and makes customers regard themselves as part of the store. Customer loyalty often engendered largely by "having an account" is a priceless asset.
5. Credit turns casual customers into regular, steady patrons.
6. Credit brings traffic to the store and thus increases "impulse" buying. "Impulse" buying is said to account for 27 per cent of all retail sales.
7. Credit tends to cause the customer to concentrate purchases in one store rather than scattering them in many. A credit customer is worth, in sales volume, four cash customers.
8. Credit records provide a valuable buying history of each customer, and this facilitates pinpoint promotion of special merchandise offerings. Credit records, too, tell the merchant what merchandise is generally preferred and reveal other detailed information which is of considerable value in merchandising.
9. Credit facilitates the selling of the "better" item; the two instead of one; the related item as well as the one originally intended. Ensemble and "wardrobe" purchasing becomes easier when payments can be spread over a period of months. Credit sharply reduces price resistance.
10. Customers today expect credit service. The charge account is the modern way of shopping for daily needs and the installment account is the modern way of obtaining immediate use of household goods and appliances while paying for them out of current income.

Of course, there are some disadvantages too:

1. Credit causes capital to be tied up in customers' accounts. This might necessitate borrowing from time to time if the firm is undercapitalized.
2. Some small losses from bad debts are inevitable. (The nation-wide average of bad-debt losses is under one-half of 1 per cent of credit sales.)
3. Collection problems, in varying degree, are bound to arise. (These are minimized by full use of the credit bureau and sound collection procedures.)
4. Credit brings some additional operating costs such as supervision, cost of credit investigation, bookkeeping, collection procedures, etc.
5. Credit offices occupy space and they require maintenance.

It will readily be seen that the additional profitable sales volume that comes to a store or firm because of the availability of credit service will far more than offset the disadvantages. However, these considerations should be weighed carefully by the merchant in determining the degree of his credit sales promotion program.

Thus, in this article we have described the necessity for some degree of credit sales promotion on the part of the merchant wishing to increase his sales volume by using the power of credit. We will consider what we should do about it in the next issue. ★★★

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

CREDIT FLASHES

James J. Doran

James J. Doran, 62, former treasurer and controller of Davidson-Paxon Co., Atlanta, Ga., died recently of a heart attack. During his career in retailing Mr. Doran was associated with Arnold Constable, as secretary and controller; Bloomingdale's as assistant superintendent; and Macy's as assistant controller. While with Davidson-Paxon, he was president of the Southern Conference of the National Retail Credit Association, now known as District Three. In 1952 he was elected a director of the Controllers Institute of America.

John S. Wood

John S. Wood, 54, president of the Adirondack Credit Service, Glens Falls, New York, died December 23, 1955. He was a past president of the Retail Credit Executives of Albany and was an active member of the Eastern Association of Credit Executives. He was a member of Kiwanis and served as Lieutenant Governor; a Major in the National Guard; and a Past Master of Schodak Union Lodge. Mr. Wood was a deacon in the First Presbyterian Church of Rensselaer and head of the finance committee.

Frank E. Sherod

Frank E. Sherod, 65, manager, Collection Department, Credit Bureau of Cleveland, Cleveland, Ohio, died at his home April 17, 1956. Since the organization of the department in 1926, he has been its first and only manager. The outstanding work he and his department have performed is recognized not only by the Cleveland membership, but nationally. The credit fraternity has lost a sincere, loyal friend and member, whose memory will be cherished by all who knew him.

Fort Lauderdale Elects Officers

Newly elected officers of the Broward Retail Credit Association, Fort Lauderdale, Florida, were installed recently at a dinner meeting. A complete list of the officers and directors will be found on page 17 of this issue of The CREDIT WORLD. Recently formed as an affiliated unit of the N.R.C.A., the membership has grown rapidly. Shown in the picture below, left to right, are: C. W. Speck, President; Eileen V. St. Mary, Treasurer; and Fred W. Halferty, Vice President.

An Unusual Incident

A credit manager is a person who is paid to rectify his own mistakes. This deduction evolved in a roundabout way when a customer, nicely embarked in default on a two-year contract, inquired if notice of his bankruptcy had arrived since filing it two days before.

He had thoughtfully called on us to mitigate any misapprehension the notice might cause us, announcing his good intentions to continue payments, the bankruptcy notwithstanding. Furthermore, realizing that the Act would relieve him of great pressure from creditors, he was now in a position to favor us with additional business replacing furniture which would be promptly repossessed by other creditors.

After being regretfully informed that under the circumstances, as a matter of policy, the company could not see its way clear to extend further credit to him, he proclaimed our shortsightedness with genuine dismay and indignation, adding the amazing illustration that a bank had just loaned him $300.00 to cover the expense of bankruptcy.

Evidently, the banker's logic is that an occasional apparent mistake in loan judgment creates the necessity for his services to rectify it through collection effort.—D. R. Morgan, General Credit Manager, Ashburn's, Alhambra, California.

Garage Service Available in St. Louis

Are you driving to St. Louis to attend the Annual Conference, June 17-21, 1956? If so the Jefferson-Plaza Garage, 13th and St. Charles, has facilities available for all who are staying at the Sheraton-Jefferson Hotel. Rates are $1.75 for 24 hours or $10.00 which entitles you to in-and-out service for a period of one week.

Jack Gross Honored

A resolution honoring J. A. (Jack) Gross, who recently retired as General Manager, Retail Merchants Credit Association, Los Angeles, California, was adopted recently by the Los Angeles City Council. The resolution was presented by Ernest E. Debs, Councilman, 13th District, and seconded by Don A. Allen, Councilman, 7th District. It read as follows:

WHEREAS, on January 1, 1907, Mr. J. A. (Jack) Gross became a resident of Los Angeles and immediately began his career in the business life of this City; and

WHEREAS, during the intervening forty years, J. A. Gross has contributed in very great measure to the success of many progressive events in the civic and business interests of this community, among them the 1932 Olympic Games and the development of the Metropolitan Water District of Southern California; and

WHEREAS, J. A. Gross, recently retired as General Manager of Retail Merchants Credit Association, a position in which he has served with distinction for many years; and

WHEREAS, J. A. Gross, while withdrawing from active business life, is continuing, unselfishly and generously, to contribute his services and knowledge to the community betterment and philanthropic activities;

NOW, THEREFORE, BE IT RESOLVED that this City Council does hereby extend to J. A. (Jack) Gross its sincere appreciation for his outstanding assistance to the mercantile progress of this community and for his many contributions to civic advancement, and does hereby extend to him its best wishes for happiness and success in his current achievements.

Richmond Credit Bureau Celebrates Golden Anniversary

The 50th Anniversary Banquet commemorating the golden anniversary of the Retail Merchants Association of Richmond, Virginia, and the Credit Bureau of Richmond was held May 21, 1956, at the John Marshall Hotel. General Manager-Treasurer L. S. Crowder was unable to attend but sent the following telegram to George C. Robinson, Executive Secretary:

Sorry previous commitment will make it impossible for me to attend your banquet commemorating the golden anniversary of the Retail Merchants Association. Congratulation on your part in making the Retail Merchants Association and the Credit Bureau of Richmond outstanding organizations. The splendid cooperation of your members and the fine work of the Credit Bureau have contributed much to a successful credit operation in Richmond and vicinity. You have served the community well. Regards and best wishes for the future.

Mr. Robinson has been with the organization for the past 40 years, starting as a messenger boy in 1916. He became assistant secretary in 1929 and executive secretary in 1930, succeeding the late William A. Clarke. Recently he was honored by a three-column story about his many activities by William Bien, Business Editor, in the *Richmond News Leader*. The article related that, more than any other individual, Mr. Robinson was identified with the growth of Richmond's retail business. His business and civic affiliations are practically endless. A member of the Quarter Century Club, he has been affiliated with the National Retail Credit Association since 1930.

John G. Praegner in New Position

John G. Praegner resigned his position as Treasurer-General Superintendent of Jonassons, Pittsburgh, Pennsylvania, to accept the position of Treasurer of The Fair Store, Chicago, Illinois. John was formerly with C. A. Verner Company and Gimbel Brothers, Pittsburgh. He has served as a director of Retail Credit Association and The Credit Bureau, Pittsburgh.

Reserve Hotel Rooms at Hotel Statler

Our allotment of rooms at the Sheraton-Jefferson Hotel for the 42nd Annual International Consumer Credit Conference, June 17-21, 1956, St. Louis, Mo., has been filled. Therefore, reservations for rooms should be sent direct to Reservations Manager, Hotel Statler, located only a few short blocks from the Sheraton-Jefferson. Be sure to include your arrival date and time. If you have not already done so, make your hotel reservation NOW.

C. Glenn Evans Retires

C. Glenn Evans, Credit Manager, The Halle Bros. Co., Cleveland, Ohio, retired May 5, 1956. He began his career with the store in 1921 and became Credit Manager in 1940. During this period, Halle's growth was characterized by the continuous development of credit and today credit volume accounts for the majority of their business. This outstanding achievement is typical of Mr. Evans' performance over the years. He taught classes at the American Institute of Banking for four years and also taught many classes at Cleveland College in various aspects of credit and related subjects. He has been a former director of the National Retail Credit Association and the Credit Management Division of the National Retail Dry Goods Association. He is a member of the Quarter Century Club of the National Retail Credit Association and now becomes an Honorary Life Member. Mr. Evans has three married daughters and eight grandchildren. Since each of their daughters lives several hundred miles from Cleveland and several hundred miles from each other, Mr. and Mrs. Evans have given travel a high priority on the list of things they plan to do. The N.R.C.A. wishes them both the very best of good luck, health and happiness during the years ahead.

Joseph A. White Honored

On April 12, 1956, more than 100 friends of Joseph A. White honored him in Pittsburgh, Pennsylvania, at a testimonial dinner. Joe was presented with many gifts and received a letter or telegram from nearly every state in the nation. He left Pittsburgh to join The Fair Store, Chicago, Illinois, as Credit Manager, and was formerly with Harris Stores, Pittsburgh. A merit award and a citation were presented to him by the Retail Credit Association of Pittsburgh, the first ever given a credit executive in the city. Joe was Treasurer-Director and member of several committees of The Credit Bureau, Pittsburgh; is past President-Director of the Retail Credit Association, Pittsburgh; and of the National Retail Credit Association. He has always been a very popular as well as an efficient credit executive and active in whatever was proposed to promote the interests of retailers. He will be missed by Pittsburghers who wish him well on his new position.—*T. L. Ford.*

Joseph A. White receives citation award from Howard A. Clarke, center, and T. L. Ford, right.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

ANOTHER AREA of credit office correspondence in which substantial economies and ease of operation can be effected is the notification of acceptance of a new credit application. And not only are economies possible but, more importantly, improved public relations can come about by a thoughtful appraisal of what is too often a mere mechanical routine.

You will agree, I am sure, that the usual *form letter* type of new account acknowledgment, often with ill-matching fill-in of customer's name and address and smudgy rubber-stamp signature, is far from appropriate for the highly significant occasion of welcoming a new credit customer to the store. Yet few firms have the personnel or the facilities necessary for writing each new credit customer a personal letter, much as they would like to and regardless of the admitted superiority of doing so.

One answer to the problem is to send an attractively prepared printed or engraved card. Enclose with the card a printed folder which sets forth all the details of kinds of credit accounts offered, payment requirements, and other information. The rather *formal* tone of such a card gives it desired impressiveness and dignity, while the folder serves to "sell" credit as a modern method of buying and also emphasizes the importance of paying bills as agreed.

When placed in a hand-addressed (and, if possible, hand-stamped) envelope, the communication takes on an air of real significance. The customer is bound to feel that this really is an important occasion and that the store has gone to some pains to signalize it as such. Of course, neat, legible and firm handwriting is essential!

This procedure is not only vastly superior to the form-letter routine in the area of public relations but the cost will be found to be little, if any, greater. Consider the fact that almost anyone in the office can write the name and address on the envelope, while typing even a form letter does require some skill, and the cost might conceivably be less.

Credit today is more than a mere financial service—it is intimately woven into the very fabric of living. When we arrange credit facilities for our customers we are helping them to obtain more of the good things of life sooner than would otherwise be possible and assisting them to attain higher levels of modern living. We are making available to them a powerful tool for better living. And certainly this new credit customer must be thoroughly worthy, otherwise the application would not be accepted. Why not, then, make the event of opening a new account a truly memorable one—make it take on added luster as a friend-producing communication?

Retailers, particularly, know that customer preference is often based on emotion and feeling rather than on logical thought. Purchases are made at one store for no other special reason than that the customer likes to trade there, is made to feel at home and is sure of a warm welcome. Profitable sales are made on these emotional levels.

The new-account-acceptance notification tells the customer the *good news* that her application for credit service has been accepted and that she may now charge her purchases or arrange a divided payment agreement—surely a golden opportunity to bind the customer to the store with cords of friendship and loyalty.

It might be rewarding to you to examine your present new-account-acceptance procedure to see if it measures up to *all its possibilities* as a builder of good will and creator of new profitable credit sales.

This Month's Illustrations

Illustration No. 1. Here is an attractive folder used by Neiman-Marcus, Dallas, Texas. Not shown is the page setting forth details of cycle billing dates. An excellent *selling* mailing piece.

Illustration No. 2. Stores having a branch or branches should indicate in the new account acceptance notice that the account is usable at branch stores as well as at the main store. This dignified notice used by Colbert's, Dallas, Texas, gets that message over very nicely.

Illustration No. 3. Here is another example of a splendid *selling* notice which also brings out the fact that the new account is valid at all Rothschild stores in Greater Kansas City, Missouri. The notice is a fold-over one.

Illustration No. 4. Neusteter's, Denver, Colorado, adds a slightly formal touch to the new account acceptance by writing in the name of the new customer. This has considerable merit.

Illustration No. 5. This is an acceptance of an account for a Revolving Budget Plan Account used by Lipman, Wolfe & Company, Portland, Oregon. The name of the new customer is written or typed in and also the limit of the account and monthly payment required are stated.

Another fold-over notice only two sides of which are shown. Here again, Godchaux's, New Orleans, Louisiana, sets forth the details of cycle billing procedure and payment requirements.

* * *

Members are cordially invited to send us examples of printed forms used in their credit and collection correspondence. Your helpfulness in building up our scrap books will be deeply appreciated. ***

1

thank you for this opportunity to serve you better. We hope you will use your Neiman-Marcus account often and that this will be the beginning of a long and pleasant business relationship. Neiman-Marcus

A monthly statement, including charges and credits for thirty days, will be sent to you along with your original sales checks and credit slips. Neiman-Marcus uses the cycle billing plan — turn to the back of this folder to see when to expect your statement. Accounts are due within ten days after receipt of statement.

A Charga Plate is such a convenience. It authorizes your charge, provides identification for cashing checks, eliminates errors in deliveries and billing. If you already have a Charga Plate please mail it or bring it to our 11th floor Credit Offices to be notched for Neiman-Marcus. Or if you haven't a Charga Plate, one will be mailed to you.

2

Colbert's
preston center
and oak cliff

Thank you so much for letting us open a charge account for you . . . of course, this account is available in both Preston Center and Oak Cliff.

Colbert's is your store and all its many services are offered for your convenience.

We hope to have the privilege of serving you for many years to come, and it will always be a sincere pleasure to say "Thank You."

Bernice English
GENERAL CREDIT MANAGER

3

Rothschild's
Associate Store
Richmond, Mo.

KANSAS CITY, MO.

10th & Main

Country Club Plaza — Kansas City, Kans.
Brookside — Village Green

Rothschild's

invites you to accept

A Charge Account which has been opened for your use. Our Richmond, Mo. store offers the convenience of neighborly shopping with assurance of quality merchandise that has been identified with Rothschild's for 96 years. It is our desire that we shall be able to serve you soon and to your complete satisfaction. Your account is also available to you at all Rothschild stores in greater Kansas City.

4

WE ARE VERY HAPPY TO EXTEND TO YOU
THE PRIVILEGES OF A CHARGE ACCOUNT [illegible]
AND HOPE YOU WILL AVAIL YOURSELF
OF OUR MANY SERVICES
TO MAKE YOUR SHOPPING INTERESTING AND PLEASANT

Meyer Neusteter

THE NEUSTETER COMPANY

5

Lipman Wolfe & Company
Portland, Oregon

Dear M____________________________

We are pleased to inform you that a Revolving Budget Plan Account in the amount of $__________ has been established in your name at Lipman Wolfe & Company. Your monthly payments on this account will be $__________, plus a service charge of ½ of 1% on your balance due.

If we can be of further service to you in any way, please do not hesitate to call upon us.

6

Godchaux's

[illegible] CANAL STREET — NEW ORLEANS, LA

is pleased to open a charge account for you and welcomes you to its list of regular patrons

Instead of mailing bills to all of our customers at the end of each month, our bills are rendered on a "Cycle Billing Plan" as follows:—

Names beginning	*Approximate Monthly Mailing Date*
A-D	3rd to 9th
E-K	10th to 16th
L-Q	17th to 22nd
R-Z	23rd to 30th

Accounts are payable within thirty days from the billing date.

Your bill will be accompanied by all sales checks and credit slips. Like the statement you receive from your bank, this method gives you a complete record of all your transactions.

Any inquiries should be accompanied by the sales checks or credit slips.

Medical Professional Panel

QUESTION

I am having difficulty in convincing the doctors in the clinic where I am employed that all matters concerning credit and collection should be handled by me. What steps do the members of the panel suggest I take to get the doctors to allow me to take care of business matters?

ANSWERS

J. Bilger Bronson, Credit Manager, Rochester Regional Hospital Council, Inc., Rochester, New York: It might be possible to solve the above problem in the same way the Rochester Regional Hospital Council solved their central collection problem. That was by starting with just two hospitals and proving to them that the work that we could do for them would be most beneficial; in less than three months, we had all the hospitals that were in our Council at that time. I feel that the same steps could be followed in the clinic: convince one or two of your doctors of your ability to handle credit and collection for them, and I am sure that they would soon tell the other members and they would all be willing to have you do that work. I think it would be the most definite proof of your ability that you could furnish the members of your clinic.

Alvah Conner, Administrator, The Medical and Surgical Clinic, Wichita Falls, Texas: While this problem could be discussed at length, my recommendations would be as follows: 1. The credit department is endeavoring to save the doctor all the personal time possible so that this time may be used with his patients. 2. By the credit department having a definite understanding with the patient as to the charges, insurance coverage he may have, and making arrangements for insurance payments to apply on the account, the doctor will be relieved of this burden and collection percentages will be helped. 3. Do not interpret insurance policy payments—ask the insurance company to write to the patient, fully advising what payments may be expected from the policy. This will prevent the patient from holding the doctor's office responsible for not collecting insurance payments. 4. After a short trial of the doctor sending all of the patients to the person in his office responsible for collecting the account, the pattern is usually followed. If the person asking this question is near a member of the National Retail Clinic Managers' Association, I would refer him to that individual who would be willing to outline more fully and possibly give better reasons for following the above suggestions. If your questioner wishes to write to me, I will be glad to give all the information I can.

John M. Delio, Assistant Comptroller, Hamot Hospital, Erie, Pennsylvania: This problem is not a new one and is quite complex also. In a book published in January, 1952, by the U. S. Government Printing Office in cooperation with the American Hospital Association titled *Job Descriptions and Organizational Analysis for Hospitals and Related Health Services,* is a definition for Manager Credit and Collections (Credit Manager). It states under Job Summary that the credit manager "supervises and directs credit and collection activities, investigates patients' financial standing, approves and disapproves payment plans or extensions of credit, directs collection of accounts and performs related duties." Also under "Performance Requirements" is the responsibility for "carrying out credit policies to prevent monetary loss and maintaining favorable public relations." I sincerely believe that a firm credit policy should be established and, if the credit manager is a qualified person capable of carrying out these established principles, the doctors should cooperate to the extent of allowing full authority to the credit manager in such matters. Assuming that the person is well qualified, I think that he or she should point out that any successful procedures can be so only with the full cooperation of the doctors. Any interference, deviation, or unwillingness to fulfill good sound business principles would bring about a disastrous situation, the net results of which would be reflected in the profit-and-loss column of the financial statement. It is good business to have sound credit policies, and hospitals and clinics are big business.

Frances M. Hernan, Credit Manager, Massachusetts General Hospital, Boston, Massachusetts: In a large hospital the policies of credit and collection are usually determined by the administration and the doctors do not interfere unless they have some information that would be helpful to the credit manager. My suggestion to the credit manager who is having this trouble would be to have a meeting of the clinic doctors with the credit manager and have a policy outlined that would be helpful to both the doctors and the credit manager. The policy should then be put in writing so that if necessary the credit manager could familiarize any new doctors with the set policy. This should eliminate any further interference on the part of the doctors.

Mrs. Jean V. Lansing, Credit Manager, Albany Hospital, Albany, New York: The size of the staff involved in the particular clinic would govern the steps to be taken. Following are some suggested steps and the individual asking the question may be guided by the number of doctors on the staff. (1) Arrange to meet with the doctors for the outward purpose of acquainting the staff with the business procedures fol-

lowed in the handling of patients' accounts. Such a meeting is a golden opportunity for the credit manager to inform the doctors as to how the financial material is secured—credit bureau operation; pointing out the important factor that each case is individual; that, even though, generally, policies and procedures are set up, each case must be given individual consideration, based on financial circumstances secured through the interview, plus confirmation of this information by the credit bureau, plus the additional information furnished by the bureau. The credit manager should also emphasize to the doctors the over-all advantages of referring financial matters to the credit manager. The credit manager should assure the doctor that, in any instance, the financial information is available to him. (2) If such a meeting is not feasible, then the credit manager should follow the same steps on an individual basis of meeting with the doctors who are interfering in credits and collections, thus handicapping the credit manager in accomplishing the ultimate of proper charges, payment arrangements that an individual can meet, and the required written security for the unpaid bill, should legal action be necessary. (3) If a few doctors are creating the problem, then attempts should be made by the credit manager to meet with those few doctors and accomplish the objectives set forth. (4) If such problems are spasmodic, then sometimes it is well to use a specific case in talking with a doctor as to the problem. In any of these approaches, the credit manager must keep in mind that generally doctors do not begin to appreciate credit and collection problems, and so the doctor should not be approached from the basis of criticism for the problem he created, but rather on the basis of asking his help and then pointing out the specific instance and what happened.

Elliott Mendenhall, M.D., Dallas, Texas: Maybe the problem presented here has its origin in the medical schools. Physicians have little or no business training in our schools. Many persons, but not all, feel that the business of medicine and the practice of medicine should be completely separated. There are times when the patient desires to discuss fees and methods of payment directly with the physician and he should not be denied this privilege. The execution of such agreement may be referred to the business manager but the physician has a right, and I think an obligation, to offer some supervision of the business side of his practice. All patients do not wish to deal with a third party in their medical economic problems.

V. L. Meyer, Manager Department of Accounts, The Sheboygan Clinic, Sheboygan, Wisconsin: The philosophy of group medical practice is to provide as much release time as possible for the doctor so that he may devote all of his energy to the practice of medicine. This means that such matters as administrative problems, billing and collection of accounts, and employment and supervision of personnel can be more efficiently discharged by the business manager and his assistants. Such an arrangement gives the physician the opportunity to devote all of his time to his practice, research, medical conferences, and meetings. It is a matter of policy decision for the clinic to have all business and administrative problems handled by a business manager, and it should be his responsibility to handle all the business problems in the organization. Such a policy has been adopted by most group clinics throughout the country, and experience has been entirely favorable with respect to this arrangement.

Lois McIver, The Gaston Hospital, Dallas, Texas: I am quite sure that in spite of all we say and do there will be times when the "boss" will interfere. Explain to your employer fully your ideas on credit and collection procedures. Impress upon him that a well-organized course must be adhered to, i.e., definite financial arrangements made; credit information checked (in advance when possible), that a clear understanding in regard to time and amounts of payment be made. It might be well to mark your accounts with a colored pencil and at regular intervals go over them with him. It might not take more than one real collection problem to convince him that these problems belong in the business office.

Allen J. Perrez, Jr., Administrator, Indianapolis General Hospital, Indianapolis, Indiana: It is my recommendation that where an individual is having difficulty in a clinic setup in convincing the doctors that the business manager or credit manager should handle all financial and credit dealings, it be suggested to the physicians concerned that they accept a trial period as a method of showing satisfactory results. In other words, during a period of six months, accurate records are to be maintained as to results secured by the physicians themselves handling the arrangements. After this six months' trial period, go into a similar trial period during which a credit man or business manager handles all financial transactions. During both trial periods it is of utmost importance that complete financial records and statistics be compiled as well as the public relations problems that arise during both periods. I am sure that it will be obvious to the physicians that the procedures maintained by the business manager will far outweigh the performance of the physicians. Naturally, the outcome will depend, in a large degree, upon the quality and type of business or credit manager involved.

John A. Ward, Director of Credit, Lovelace Clinic, Albuquerque, New Mexico: This question is certainly one of vital concern and importance to all clinic credit managers. It would appear to me in all clinics having a staff of five or more physicians that it would be imperative that all matters concerning credit and collections be handled through the credit office. Unless this procedure is followed, there will undoubtedly result a great amount of confusion and misunderstanding. The fundamental purpose of a clinic is the highly specialized type of medical service offered, and the physician's primary purpose is to practice medicine, with no responsibility as to granting of credit or collection of his accounts. In situations where the credit manager of a clinic is having difficulty with the doctors being hesitant about turning these matters over to him, it seems that here is a situation calling for an educational program on the part of the credit manager. It is his job to convince the doctor that these duties should be delegated to the credit office. Of course, there are times when the doctor may be thoroughly conversant with a family's financial or economic background about which the credit office may

not be familiar. In this instance the doctor should, of course, pass this information on to the credit executive in order that he may properly appraise the procedure of collecting the account. Credit managers are more and more being trained in their particular fields, and I think it no more the place of a doctor to handle these credit matters than it would be for the credit manager to attempt to prescribe medically for the patient.

Banking and Finance

QUESTION

Should the purpose of a direct loan determine the terms given for the payment of the loan?

ANSWERS

L. A. Brumbaugh, Assistant Vice President, Valley National Bank, Phoenix, Arizona: When making a direct loan, its purpose is one of the factors which determine the terms given for its repayment. (1) Loans made for purposes which tend to recur annually, such as loans to pay income taxes and finance vacations, should normally be liquidated within a year, or before the need recurs. (2) Loans made for purposes involving durable satisfactions, such as improvements to a home, may well be made for a period of thirty-six months; whereas a loan to purchase clothing for school children ought to be paid within twelve months. (3) Loans made to consolidate debts and reduce monthly payments must, if made, be written for longer terms than normally given other loans. The importance of the "purpose of the loan" in determining the terms given for its payment varies with conditions, but it can seldom be ignored.

Robert Costello, Pullman Trust and Savings Bank, Chicago, Illinois: The purpose of a loan is not the only guide to its length but, along with the amount, income of the borrower, other obligations, etc., such a consideration is certainly important in setting maximum limits. Obviously, loans for Christmas, fuel, vacations, etc., should be repaid before the calendar requires another similar purchase, although even here, repayment for a once-in-a-lifetime grand tour of Europe might well be extended for more than a year. A more difficult decision is required in determining the correct relationship between the term of repayment and the purpose of the loan if the loan is to purchase personal property. The repayment schedule should always bear a close relationship to the depreciation, obsolescence, or consumption of the item financed; as a rule, the value of the property should at all times exceed the balance remaining due on the loan.

J. F. Coulston, Vice President, Society for Savings, Cleveland, Ohio: I feel definitely that the purpose of a direct loan should determine the terms given for the payment of the loan. Loans for the payment of taxes, insurance premiums, tuition, vacations, and so forth, should be held within terms that liquidate the obligation before the debt recurs. When loans for the purposes enumerated overlap, an extra burden is imposed on the borrower, and it has always seemed to me that this is not sound loaning practice.

Cyril J. Jedlicka, Senior Vice President, City National Bank and Trust Company, Kansas City, Missouri: Most experienced loan grantors have learned over the years that the purpose of a direct loan is a very pertinent factor in the granting of such credit. Particularly in loans to the small income group or to those who are already heavily obligated with present payment obligations, the purpose is frequently the deciding factor as to whether the loan should or should not be granted. Loans for the purchase of needed or desirable durable goods to qualified credit risks may safely be extended on a chattel mortgage basis over a much longer term of repayment than most unsecured loans. Loans for home improvements to home owners have for many years been made on an unsecured basis repayable over a three-year period (and in some cases up to five years) with satisfactory results. What may be a desirable purpose for one individual may be relatively undesirable for another because of other factors such as existing obligations, size of income and other responsibilities and qualifications. Within the last year a number of banks over the country have been experimenting with a revolving credit plan with satisfactory results to date. Under these plans a line of credit is granted to qualified individuals and they may use this line of credit over and over again for any purpose desired as long as they maintain their credit in a satisfactory manner. In my opinion, while the purpose of the loan is one of the pertinent items in granting credit, the other credit factors as well as the security offered, if any, would have more weight in determining the terms of the loan. If the borrower is entitled to the credit, then the terms should, as far as possible, be tailored to the individual needs of the applicant.

Hal E. Roof, Vice President, The Central Bank and Trust Company, Denver, Colorado: In our opinion, the purpose of a direct loan does have a definite bearing on the terms of repayment. However, the basic factor, which probably will never change, is the credit history of the individual concerned. Several banks, of which we are one, now advertise and do actually make direct loans without ever determining the use for which the money is borrowed. Certainly if the terms of repayment required by any financing institution are too high to fit in the budget of the customer, we are doing him a grave injustice in permitting this to happen.

R. W. Schilling, Vice President, The Bank of Georgia, Atlanta, Georgia: In so far as the field of consumer credit is concerned, with the exception of the direct and indirect financing of automobiles, appliances, and home improvements, a statement from the borrower as to the purpose to which the proceeds of a loan are to be applied does not carry the same significance as it does in the case of a commercial loan. This is true on a number of grounds, but the one to which most loan officers and interviewers will readily subscribe is the fact that many applicants will unhesitatingly falsify or distort the purpose of the loan if they think the truth might have an adverse effect on their chances of getting it. Furthermore, the sophisticated borrower is aware of the fact that no attempt normally will be made by the

lender (except in a few cases involving property improvement loans) to a checkup on the disposition made of the proceeds. Then, too, the repeat customer with a good record frequently objects to being queried regarding his plans for using the money. However, due allowance for the above conditions still leaves place for the assertion that the intentions of the borrower with respect to the use of funds realized from a loan can have a very important, indeed a critical, bearing on the likelihood of prompt repayment. Since consumer loans cannot, by their nature, be self-liquidating, as commercial loans normally are supposed to be, the principle usually followed is that the amount and terms of repayment of an over-the-counter loan should be such as will not overvalue or outlast the want-satisfying qualities of the object or objects to which the loan proceeds are to be applied, lest the borrower become susceptible to the notion as the term of the loan wears on that he is exchanging a portion of the fruits of his daily labors for little or nothing in return. Obviously, this state of mind often leads to a growing disinclination to make such an exchange—which is simply one way of stating that a collection problem comes into being.

Newspapers and Publishers

QUESTION

After having collected an account through your attorney, the same advertiser again requests credit. What is the best policy in such cases?

ANSWERS

Henry G. Baker, Credit Manager, The Oklahoma Publishing Company, Oklahoma City, Oklahoma: The first thing that comes to my mind is that they should be required to pay cash for any advertising they might want to do. This may, or may not be right, as there are always some exceptions, but in most cases this person has so many chips on his shoulder that he becomes irritated at every little thing that happens and will again try to make life miserable. We have a customer in the sheet iron and metal business who is a good example. The first time, we collected through our attorneys. About six months later he put up a good story, saying he was in much better financial condition and we would never have trouble with him again, but we did. He paid up when we threatened to sue him. About two years later, we took him on again, and again he paid our attorneys. I would say that, if, they are accepted, after having been sued, they should be given a deadline and a limit, and the first time they miss, the gates should be closed. You will save money if you do.

H. E. Hull, Credit Manager, The Detroit News, Detroit, Michigan: It is extremely difficult to draw up any set of hard and fast rules which will apply in all instances. In general, however, when this situation arises with us, which it does rather frequently, we do not reopen the account on a credit basis until some arrangement has been made to reimburse us for the expense involved. We usually will not accept a cash with copy contract in situations of this sort because it is our belief that such an advertiser should not be given the benefit of the contract rate, thereby avoiding any penalty for creating the necessity of a collection account in the past. We have, on occasions, agreed to accept "cash with copy" advertising at the transient rate until a sufficient amount had been placed to compensate for our previous loss, and at that time we would review the matter of credit and a contract. This arrangement has been worked out where the advertiser has found himself unable to reimburse us for the expense in one lump sum. Over the years, we have recovered a substantial amount of money in this manner.

A. R. Peterman, Cleveland Plain Dealer, Cleveland, Ohio: This problem would have to be decided on its own merits and be treated individually. We have in some cases extended credit again. Particularly is this true if the advertiser has been with us a long time and has been in difficulty for the first time. In most cases, however, we make them pay cash for their advertising or arrange a deposit account. In a city where you have keen competition, I do not think you can have a set rule for governing your decisions. On the other hand, if the customer has to use your medium hard enough, it might be possible to make him pay the legal fees incurred before taking him on again.

Royce Sehnert, The Wichita Eagle, Wichita, Kansas: If an account is collected by our attorney, because of a "won't pay" attitude, he is automatically put on a "cash with order" basis. However, in the past we have had a number of accounts collected by our attorney involving a legal angle or civil suit but the company or person was solid financially. In such circumstances, the entire findings of ourselves and attorney were weighed and in most instances credit was continued.

G. W. Sites, Credit Manager, Los Angeles Times, Los Angeles, California: The old axiom, "Once bitten, twice shy," is natural instinct with most of us and certainly when it becomes necessary to enforce collection of an account through legal or any other forceful means, a creditor is entitled to a full measure of caution before again extending the courtesy of credit. However, experience proves many of our most valued and better pay customers today at sometime or other in the past were referred to our Legal Department for attention. So many factors must be considered: Cause of the failure to pay; Integrity of the customer; Nature of business involved; Current business trends, etc. Many a good fighter has got up from the canvas to win a fight. Caution should prevail; but not prejudice.

Mrs. Daisy H. Upchurch, Credit Manager, Greensboro News Company, Greensboro, North Carolina: When it becomes necessary for us to refer an account to our company attorneys for collection and he pays up, then later requests that we re-open the account, we give it due consideration. Frankly, we find it a difficult situation. In most instances we get cash in advance and if they insist on a contract, although they are paying cash, we ask for a cash deposit in case of a short-rate. If we feel there has been a change in the advertiser's financial status, we obtain an up-to-date credit report—if favorable, we place him on a weekly basis with limited credit.

comparative COLLECTION PERCENTAGES

April 1956 vs. April 1955

N.R.C.A. DISTRICT and CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1956			1955			1956			1955			1956			1955			1956			1955		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Portland, Me.	—	—	—	53.9	54.5	52.8	—	—	—	15.1	15.6	14.3	—	—	—	—	—	—	—	—	—	—	—	—
Providence, R. I.	42.2	43.5	38.0	46.3	48.9	34.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	52.6	53.8	51.4	60.7	61.7	59.8	23.7	24.0	23.4	25.3	30.4	20.2	—	58.3	—	—	64.2	—	—	42.1	—	—	50.4	—
Worcester, Mass.	—	—	—	—	45.1	—	—	—	—	—	17.8	—	—	—	—	—	52.6	—	—	—	—	—	—	—
New York, N. Y.	43.1	51.3	36.3	47.2	54.4	39.7	13.0	16.0	10.5	12.7	16.3	10.6	47.0	56.0	42.5	44.1	54.0	38.3	49.6	50.7	48.6	48.1	48.2	48.0
Birmingham, Ala.	—	—	—	43.1	45.1	36.5	—	—	—	17.4	22.6	12.3	—	—	—	43.5	46.0	39.4	—	—	—	45.3	48.6	43.0
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cincinnati, Ohio	48.6	53.6	45.9	53.0	58.1	45.4	14.9	17.8	11.2	15.3	20.0	11.5	—	—	—	—	—	—	—	—	—	—	—	—
Cleveland, Ohio	47.4	55.9	41.0	47.4	54.6	35.5	15.7	20.6	9.9	19.2	23.1	13.8	39.5	39.7	29.2	45.6	48.0	43.1	51.7	60.3	43.1	53.9	61.8	46.1
Louisville, Ky.	51.5	52.5	50.4	52.4	53.1	50.2	18.6	23.7	16.3	20.8	27.8	16.9	42.4	46.2	40.7	45.7	47.0	44.4	44.0	50.2	38.5	45.0	49.3	39.7
Milwaukee, Wis.	53.0	57.2	46.2	54.6	56.7	48.8	14.3	14.6	13.9	14.6	15.2	14.0	52.9	54.5	39.3	56.4	58.1	47.9	47.1	50.2	44.0	48.8	52.6	45.0
Toledo, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Youngstown, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Minneapolis, Minn.	57.1°	61.0	53.9	58.1°	61.3	55.2	15.0	16.0	14.0	14.8	14.9	14.8	45.5°	52.1°	38.9°	47.0°	57.5°	36.5°	39.1°	43.0°	39.2°	43.9°	49.0°	40.1°
Kansas City, Mo.	50.0	58.6	45.1	53.6	59.8	46.6	16.2	24.7	6.7	15.4	21.7	5.5	59.0	61.0	54.7	59.8	63.4	58.6	—	—	—	—	—	—
St. Louis, Mo.	54.1	54.2	54.0	54.8	56.5	54.4	18.1	28.8	16.7	20.0	20.4	18.0	—	—	—	—	—	—	42.7	44.9	40.2	52.9	53.4	52.4
Dallas, Texas	—	—	—	52.1	57.0	47.2	—	—	—	12.4	14.3	10.6	—	—	—	—	—	—	—	—	—	—	49.7	—
Ft. Worth, Texas	47.8	48.0	46.3	54.4	54.5	51.5	12.9	17.1	11.9	14.1	19.2	13.1	46.5	59.6	46.1	53.9	62.2	48.0	—	—	—	—	—	—
Houston, Texas	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver, Colo.	46.1	51.0	41.3	47.3	48.7	43.4	17.2	31.0	15.4	16.3	27.0	15.1	42.2	43.2	41.3	46.5	47.3	45.8	42.2	43.2	41.3	46.5	47.3	45.8
Salt Lake City, Utah	51.3	61.4	44.7	57.6	62.4	54.4	17.7	20.8	13.6	20.1	24.1	16.3	—	—	—	—	—	—	—	46.4	—	46.5	48.3	44.8
Spokane, Wash.	—	53.5	—	—	55.3	—	—	12.7	—	—	13.7	—	—	56.1	—	—	—	—	—	—	—	—	—	—
Los Angeles, Calif.	56.6	61.2	48.2	56.4	65.0	51.7	—	—	—	—	—	—	—	—	—	—	—	—	47.8	68.7	42.8	47.0	85.0	44.7
Oakland, Calif.	56.6	68.5	50.4	62.1	65.4	55.2	15.1	19.1	13.1	16.9	21.5	13.5	56.1	60.1	52.0	—	61.1	—	—	47.1	—	—	48.8	—
Santa Barbara, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
San Francisco, Calif.•	56.0	67.4	54.1	56.0	65.8	54.1	16.4	18.0	14.3	16.1	20.3	16.1	48.5	50.3	42.0	48.2	52.7	42.0	47.6	53.0	40.5	49.6	51.6	48.5
San Jose, Calif.	50.4	64.8	48.0	59.0	68.7	53.3	17.9	19.9	16.0	18.9	19.4	18.4	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	49.0	52.7	43.3	47.2	51.2	41.3	15.1	22.5	11.7	16.1	22.9	12.9	44.9	46.8	43.3	40.9	42.9	39.4	42.7	51.2	34.0	41.1	44.7	37.4
Philadelphia, Pa.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	43.3	49.4	38.6	45.1	52.8	42.6	14.6	17.6	10.5	15.5	18.6	13.2	—	—	—	—	—	—	—	—	—	—	—	—

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• Figures for March. ° Includes 30—60—90-day accounts.

Consumer Credit for March

CONSUMER INSTALMENT credit outstanding increased $180 million during March to an estimated $27,964 million at the month-end. This change compares with an increase of $466 million in March 1955 and a decline of $201 million in the same month of 1954. Automobile paper and personal loans outstanding increased $168 million and $84 million, respectively, while repair and modernization loans were unchanged during March. A decline of $72 million, largely seasonal in nature, occurred in other consumer goods paper outstanding. Instalment credit extended increased $345 million over February to an estimated $3,114 million in March, reflecting a larger volume for each major type of credit. The increases were less than usual for this time of year. Repayments, estimated at $2,934 million in March, were $180 million above the preceding month. Total short- and intermediate-term consumer credit outstanding amounted to an estimated $35,536 million at the end of March, $264 million above a month ago and $5,588 million above 1955.—Federal Reserve Board.

Department Store Credit for March

INSTALMENT ACCOUNTS outstanding at department stores decreased 1 per cent during March, but continued about 21 per cent above a year ago. Collections amounted to an estimated 16 per cent of first-of-month balances, 2 points above the preceding month and 1 point above March of last year. Charge accounts declined 3 per cent during March, somewhat less than usual for this time of year. Compared with a year ago, balances at the month-end were up 10 per cent. The charge-account collection ratio, estimated at 47 per cent, was 3 points above February and 1 point below March of last year. Sales of all types increased from February to March—cash and charge-account sales by 32 per cent and instalment sales by 28 per cent. Compared with March of last year, cash and charge-account sales were up 9 per cent and instalment sales 16 per cent.—Federal Reserve Board.

Items of Interest From the Nation's Capital

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Governors of Reserve Board Cite Comprehensive Investigation of Consumer Instalment Credit.—William McC. Martin, Jr., chairman of the Board of Governors of the Federal Reserve System, released, as of May 15, 1956, a letter to Arthur F. Burns, chairman of the President's Council of Economic Advisers, outlining the recently proposed study of consumer instalment credit.

Letter indicates a broad and comprehensive study. Letter notes that: "This examination, to extend among other things to survey compilation of factual information not otherwise available, will consist of five major parts," as follows:

"(1) A national survey of a representative sample of new car buyers in 1954 and 1955, to provide a comprehensive picture of the part played by instalment credit in new car purchases.

"(2) A national survey of new and used car dealers to develop information about their problems and practices in financing customers, in placing with lenders paper acquired in sales transactions, in obtaining financing terms appropriate to the demands of individual customers, and in financing inventories of new and used cars.

"(3) Compilation and report on views of the consumer credit industry, and others interested in consumer credit, to be developed by canvassing procedures, on the public policy aspects of instalment credit.

"(4) Compilation and report on analyses by university specialists, to be developed by conference methods, regarding data and knowledge needed for effective public policy in the field of consumer credit in general and instalment credit in particular.

"(5) Preparation by the Board's staff of a comprehensive review and analysis of consumer instalment credit in the contemporary economic setting. This will, among other things, cover experience with regulative policies in this country and abroad, weigh alternative approaches, and list the arguments for and against a continuing governmental authority to regulate this credit area."

In conclusion the letter indicates that "The Board believes that the program of inquiry outlined above can be substantially completed by early next year."

Recent Developments on Hoover Commission Reports.—In a special message to Congress relating to the Hoover Commission reports, released May 10, 1956, President Eisenhower made the following statement: "Today's government demands the use of the best and most economical efforts that can be devised. To that end we should take full advantage of the constructive proposals put forth by Mr. Hoover and his able associates." Message dealt primarily with the Hoover Commission's report on budget and accounting. This report indicated the possibility of an annual savings of $4 billion. One press report pointed out that this would mean an annual savings of $100 for every U. S. family. (See The CREDIT WORLD, August and September, 1955.)

Do the States Still Exist?—That this is not merely a rhetorical question is shown by such authoritative statements as the following: In a vigorous dissent by Commissioner Mason of the Federal Trade Commission to a ruling by that Commission that it has jurisdiction of the business of insurance, Mr. Mason said "To transfer in one fell swoop the control of every phase of the business of insurance, whether regulated or not by State law, to the Federal Government . . . is to flout the expressed intent of Congress." Also action by the Supreme Court in invalidating sedition laws in 42 states, Alaska, Hawaii, and Guam. Decision was handed down April 2, 1956. Thirty-five states at once petitioned for rehearing, which was denied May 14, 1956. It is expected that Congress will act to restore the rights of the States in this field.

Department of Commerce Reports on Business.—Economic statistics as barometer of financial conditions shows continued trend of gains; new and used car dealers, however, are notable exception. For the quarter ending March 31, gross national product was running at the annual rate of $398½ billion as compared to $374½ billion in the first quarter of 1955. Corporate dividends increased from $2,321.0 million for the first quarter of 1955 to $2,739.4 million for first quarter of 1956, or nearly one-fifth higher than the same time in 1955. Automobile manufacturers' dividends rose from $119.7 million in 1955 to $181.9 million in the first quarter of 1956. At the same time National Automobile Dealers Association issued a statement showing that for the first three months of 1956 over-all dealer profits on sales, before taxes, were 0.8% compared with 3.1% during the same 1955 period.

Foreign Affairs on Credit.—That it is entirely possible to say that one of the most important elements in our foreign relations is credit is indicated by the following table recently inserted in the Congressional Record as part of a speech delivered by Senator Olin D. Johnston (D.S.C.).

Indebtedness of foreign governments to the United States arising from World War I loans	$ 17,297,981,019.07
Lend-lease aid rendered by United States—World War II	42,020,779,261.00
Foreign aid grants and credits rendered by the United States to foreign countries (July 1, 1945-June 30, 1955)	51,339,142,000.00
United States advances to International Monetary Fund	2,750,000,000.00
United States advances to International Bank	635,000,000.00
Total	$114,042,902,280.07

Granting Credit in Canada

Report From Annual Meeting

"One of the best Annual Meetings we have ever had was held in March of this year in Winnipeg, Manitoba. It was most gratifying to me, as your President, to see so many delegates from all parts of the Dominion giving us the opportunity to discuss matters of local and national interest.

"As credit granters you should be interested in what happens at the Annual Meeting of the Directors. For that reason, we are giving you the story as outlined in the minutes of this meeting which I trust you will find of interest."—H. L. Hulme, *President,* Credit Granters' Association of Canada.

* * *

The meeting was called to order by President Hulme. Present were: Immediate Past President, K. G. Slocomb, Winnipeg, Man.; Honourary Secretary-Treasurer, Thos. Downie, Vancouver, B. C.; and Second Vice-President, N. F. Belleperche, Windsor, Ont. Directors: W. J. Thomson, Winnipeg, Man.; A. Gillespie, Vancouver, B. C.; T. M. F. Gerry, Toronto, Ont.; W. H. Martin, Regina, Sask.; and J. W. Wilson, Montreal, P. Q. Honourary Directors: Charles D. Murray, Edmonton, Alta.; John Meade, Port Arthur-Fort William, Ont.; and Louis Morin, Quebec, P. Q. Harold Genser, a Past President of the Association was able to attend the latter part of the meeting. President Hulme extended special greetings to L. S. Crowder, General Manager-Treasurer, N.R.C.A., a Director-at-large of the Association, expressing the appreciation of the delegates at having him attend the meeting.

The Minutes of the last meeting held in Winnipeg were read and on motion duly made, seconded and carried, were unanimously adopted. In his report the President called attention to the increase in membership in 1955, with a financial position much improved over any previous year. Mr. Hulme has contacted potential new Units in St. Catharines, Brantford, London and Niagara Falls during the year and feels that progress is being made at these points.

During the past summer Mr. Hulme accepted an invitation by the Timmins Unit and addressed a meeting there, with attendance in excess of 120 Credit Granters. The President went to Montreal in December as guest speaker for the Unit there and reported that in both cases the visit was most timely as problems seemed to be developing within each organization. Shortly before attending the Annual Meeting Mr. Hulme received correspondence from Sarnia indicating that there is interest in that city and immediately on his return to Toronto, Mr. Hulme will follow this up.

As President of our Association Mr. Hulme attended the installation of Officers of the Credit Women's Breakfast Club of London. While there he again made every effort to stimulate interest in formation of a Credit Granters' Association. After discussion of several points contained in the President's report, a motion of appreciation of Mr. Hulme's untiring efforts throughout the year, in the best interests of our Association and the individual Units, was unanimously carried and enthusiastically supported.

The Secretary-Treasurer, in reporting his activities for the year, drew to the attention of the delegates that in addition to producing four issues of Creditwise, the Association work in the National Office has increased over the past twelve months because we now find more Units requesting assistance and guidance and clearing controversial subjects through the National Office—to learn how other Credit Granters or Credit Granter Units have dealt with similar problems and projects. The Secretary reported numerous contacts made in conjunction with his Maritime trip, particularly the organizing meeting in Three Rivers which ultimately developed into a new Unit under the presidency of Frank Lacroix. The Assistance of the Montreal and Quebec City Units in the formation of this new Unit was recognized with appreciation by Mr. Bullied.

After completing his work in Three Rivers, Mr. Bullied called in Quebec City and had a meeting with the Directors of that Unit to discuss some of their activities. Mr. Bullied indicated his sincere appreciation for the reception accorded him on this occasion. On arrival in Moncton, N. B., the Secretary met with the Unit at a dinner meeting and noted that support of the organization seems to be well maintained. In conjunction with the Charlottetown Conference of Associated Credit Bureaus of the Maritimes, Mr. Vatcher had arranged a meeting with his Credit Bureau members, with a view to organizing a Credit Granter Unit. Mr. Gateson and Mr. Bullied addressed this gathering after showing the film "The Good Things of Life on Credit." It is expected that in the not-too-distant future an active Unit will be operating in Charlottetown.

In Halifax the Secretary presented to the Charter President, Robert Oxner of T. Eaton Company (Maritimes), Limited, the gavel supplied by N.R.C.A. and suitably engraved by the Canadian organization. Mr. Bullied also presented to Mr. Oxner the Attendance Plaque of N.R.C.A. on their behalf. The Halifax Unit is increasing in numbers and through very aggressive promotion on the part of the President and Directors has considerably broadened the scope and activity there.

In St. John, N. B., Mr. Bullied met with the Credit Granters' Association and pointed out the advantages of National Membership and membership in N.R.C.A., providing 12 issues of The Credit World annually to their members. This Unit has been in a formulative state for several years, but the members have not taken advantage of National Office facilities nor did they subscribe to The Credit World. At a meeting of the Directors after the general meeting Mr. Bullied made several suggestions of changes which might be made in the operation of the Credit Bureau to provide better service to the Credit Granters using the Bureau facilities. Since these recommendations were made, arrangements have been completed and the manager, W. H. Brenan, has spent a week in another Credit Bureau member of ACBofC. It is expected that credit granters in St. John and those using reports from this source will benefit materially as a result of the Secretary's last call in St. John, N. B.

Mr. Bullied reported on the conditions which prompted him to go to Ottawa with N. K. Gateson, President of Associated Credit Bureaus of Canada, to make representation on behalf of Credit Bureaus and Credit Granters relative to the problems which have arisen in obtaining information from the records offices of the various Armed Service Units throughout Canada.

Mr. Bullied noted that two such meetings have been held in Ottawa and the change in Service regulations on September 30, 1955, whereby Commanding Officers were no longer required to interview personnel serving under them relative to outstanding debts had been discussed at length. The Personnel Members Administrative Committee of the Tri-Service Commission in Ottawa is presently considering the problems as presented by the Secretary and Mr. Gateson, and it is expected that shortly after returning to Toronto there will be further action on this subject.

Mr. Bullied outlined the problems so far as the formation meeting of a possible Unit in Niagara Falls. The meeting was called by a previous Credit Bureau owner who was, at the time of the exploratory meeting, employed by a department store in Niagara Falls as Credit Manager. Together with the Credit Manager of the T. Eaton Company, Limited, local branch they called a meeting and with approximately forty-five in attendance Mr. Bullied presented the Credit Granter Unit advantages to those present. This was a substitution as Mr. Hulme had originally planned on doing this, but at the last minute illness in his family made it impossible for him to go to Niagara Falls. Although the meeting seemed to have every possibility of success, the credit granter who originally called it severed his connection as a Credit Manager a few weeks later and the driving force having been removed, the Niagara Falls formulative effort lost its stimulant.

On motion by the Secretary, duly seconded, his report as submitted was accepted.

Discussing the subject of Service Personnel Debtors, Mr. Hulme mentioned that they are now writing members of the Armed Services serving overseas, where they have left outstanding debts behind, pointing out that in the future on return to Canada their credit rating will be seriously impaired by their own action. This apparently has had some result in obtaining payments from a number of these debtors. The Secretary-Treasurer was asked to obtain an outline of the instructions to Commanding Officers regarding permission and facilities granted to Bailiffs to execute judgments or repossess goods when the service personnel live on station.

At the Chairman's request the Treasurer read the Financial Statement and provided the delegates with a supplementary statement showing a bank balance as of February 28, 1956, of $5,353.53. At this point Mr. Hulme passed over a cheque from the Montreal Unit covering their 1955 dues in amount of $1,190.00 which, together with anticipated future receipts from Units in Red Deer, Sudbury, Port Alberni and Saskatoon would again give us a membership in good standing in excess of 2,500.

The Treasurer was questioned regarding the presentation of the statement as to detail of receipts and disbursements without any presentation of assets and liabilities. Mr. Bullied pointed out that the only physical assets belonging to the Association were a bookcase and the two copies of the film "The Good Things of Life on Credit." Discussion arose regarding the advisability of showing memberships receivable. It was explained that there is no legally binding commitment on the Units, and it was felt undesirable to anticipate revenue which might or might not accrue to the National organization. The Treasurer outlined the method of billing Units on October 15th of each year, drawing to the attention of the Treasurer of each Unit that an amount of $2.00 per member is payable to the National Office. In 1955 it had been pointed out how many membership cards, copies of CREDITWISE, etc., had been provided the Unit during the year.

Some Units are not able because of local requirements to make their payment until after the first of the year when their auditors have approved the financial presentation of their Unit. It is usual that some of the Units pay in January and February for the preceding year. On motion duly made, seconded and carried, the financial statement was adopted as presented and discussed.

Opening the discussion of agenda subjects, the President pointed out that the Directors had been circularized relative to a bronze plaque which could be used by Units as well as the National Association in recognizing Past Presidents. Mr. Crowder spoke on this, commenting that the N.R.C.A. had adopted the proposed plaque and found it most satisfactory. A Committee was appointed with T. M. H. Gerry as the President and Secretary-Treasurer. The Committee was empowered to spend $375.00 to pay the cost of the die and seven plaques for presentation to Past Presidents, but it was specified that the Committee investigate other possibilities before acting.

The Chairman called for discussion of the resolution passed by the Victoria Unit regarding Federal Government Employee garnishment. A Committee—Messrs. Martin, Gillespie and Thomson—was named to reword the resolution for use by this body, with recommendations for the other Units. The Committee revised the resolution and recommended direct aggressive support of it by this Association. It was also recommended that this Association approach Associated Credit Bureaus of Canada for their co-operation and active support. In discussing the wording of the resolution, Mr. Crowder advised that in similar action in the United States, it had been recommended by the Committee considering the matter that the Armed Services be eliminated. On motion duly made, seconded and carried, it was resolved that the resolution should not include Armed Services personnel at this time.

The President appointed a Committee to perpetuate action on this project, and volunteered because of the importance of the subject to serve as its chairman. The Committee consists of Messrs. Gerry, Gillespie, Martin, Thomson and Bullied. On motion duly made, seconded and carried, the Committee was authorized to spend up to $500.00 during 1956 in promoting publicity to further this cause.

Recognizing the need for constant, active and aggressive participation in membership development, the Chair confirmed the appointment of N. F. Belleperche as Chairman of the National Membership Committee, to explore ways and means of increasing membership for support of local and National Association activities. Mr. Crowder offered to supply extra copies of The CREDIT WORLD for potential new Units. As in the past also, the National Office can supply additional copies of CREDITWISE while available.

Discussion ensued on the subject of Credit Education Week, declared this year as the week of April 22nd to 28th. The Secretary was instructed to immediately contact Leonard Berry at N.R.C.A. office in St. Louis, to have credit education advertising kits sent to each Credit Bureau within the next few days.

The most successful presentation by the Units of Credit Education Week has been where the advertising department of the local newspaper has been called in to sell the merchants on a co-operative plan to advertise in the paper, using the "Buy Wisely—Pay Promptly" slogan, and providing on the pages where the merchants' advertising appears, articles and presentations of the credit granter activity, photographs of the officers, etc. This copy also points out the place of the Credit Bureau in the community and in many cases pictures have been used to impress the reading public with the scope of the Bureau files. The Secretary mentioned that he had had in mind developing full-page layouts of this type, but the cost of such development is high and over the past few years only two or three Units have actively promoted Credit Education Week in Canada. In view of this restricted potential use, he did not feel that the cost involved of providing the sample page layouts was justified.

Mr. Belleperche suggested that a guide to programmes for the complete year be made up so that each Unit would have a standardized pattern to follow, making the meetings for indicated months the same throughout Canada. He suggested that October be Membership Month, and April be Credit Education Month. The President asked that the Units report to the National Office their activities of their meetings—this information to be circularized for the benefit and use of the Units throughout Canada. Mention was made at this point of a most successful meeting held by the Edmonton Unit where they had as guests the Commanding Officers of Armed Services Stations in the Edmonton Area. This has proven most beneficial through a mutual understanding of Credit Granters and Armed Services problems.

The meeting adjourned at 12:15 to enable the delegates to meet with the Associated Credit Bureaus of Canada delegates for lunch and a joint business session. The meeting reconvened at 4:30 P.M.

(To be continued next month.)

Montreal Elects New Officers

At a meeting held at the Credit Granters' Association of Montreal, Quebec, Canada, the following officers and directors were elected: President, John Wilson, Lasalle Coke Co.; First Vice President, Rene Helen, T. Eaton Co., Ltd.; Second Vice President, Doris Sauer, Henry Morgan and Co.; Treasurer, Denis Kirby, Peoples Credit Jewellers; and Secretary, A. G. Harding, Credit Bureau of Montreal. Directors: Phil Bedard, Great Universal Stores of Canada; Ben Gagnon, Dupuis Freres, Ltd.; Charles Shaw, Shell Oil Co., Ltd.; J. J. Costigan, Henry Birks and Co.; A. D. Calvert, Credit Bureau of Montreal; Leo Valiquette, N. G. Valiquette, Ltd.; Pierre Michand, Jas. A. Ogilvy's, Ltd.; Gilles Tremblay, Niagara Finance Co.; and J. L. Charlebois, Electrolux (Canada), Ltd. Advisory Board: H. Ross Springer, Henry Morgan and Co., Ltd., and E. P. Ford, T. Eaton Co., Ltd.

Edmonton, Alberta, Canada

The new officers and directors of the Credit Granters' Association of Edmonton, Alberta, Canada, are: President, C. D. Murray, Holt-Renfrew & Co., Ltd.; Vice President, Robert Chorney, Prudham Building Supply, Ltd.; Secretary-Treasurer, C. H. Williams, Credit Bureau of Edmonton. Directors: Harold Kent, Imperial Oil, Ltd.; W. R. Sword, T. Eaton of Canada, Ltd.; Allen Peebles, National Home Furnishers, Ltd.; Tom Collins, Campbell's Furniture, Ltd.; Miss Min McGaffin, Tracy's Smart Apparel; R. A. Ireland, Bank of Montreal; Gerald D. Hare, Northern Nash, Ltd.; and Miss C. W. Dear, Credit Bureau of Edmonton, Ltd.

A MESSAGE FROM THE PRESIDENT

WITH A FEELING of the deepest appreciation of the friendship and co-operation accorded me throughout the year, I near the end of a year as your President.

My gratitude extends not only to the official family and the membership of the National Retail Credit Association, but to all those fine representatives of the Associated Credit Bureaus of America, and the Credit Women's Breakfast Clubs of North America, as well.

Both Mrs. Blue and I will always remember the thoughtfulness and courtesies extended to us upon many happy occasions when we were privileged to enjoy associations with so many fine people, in varied places.

Realizing the vital importance of retail credit in connection with the continued prosperity and well-being of our Nation, I urge that we continue to keep the credit we extend upon a firm and sound basis, as advocated and taught by our respective organizations.

We should bear in mind that our economy must expand with the growth of our nation. Production, distribution, and consumption cannot increase so as to provide necessary additional jobs without some increase in consumer debt. Our concern must be with the quality of that debt, rather than the gross amount. So long as the individual accounts are proportionately sound, so must the total be.

Let us dedicate ourselves to do all in our power to promote the steady normal growth of our respective businesses and of our association, so that we may continue to enjoy the highest standard of living the world has ever known—which is based upon free enterprise, and which provides the public with the good things of life on credit.

H. G. Blue

President
National Retail Credit Association

THE EMBLEM OF NATIONAL RETAIL CREDIT ASSOCIATION FOUNDED 1912 SOUND CREDIT